The MAGAZINE of WALL STREET

and BUSINESS ANALYST

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C. G. Wyckoff
PUBLISHER

What's Ahead for the Market

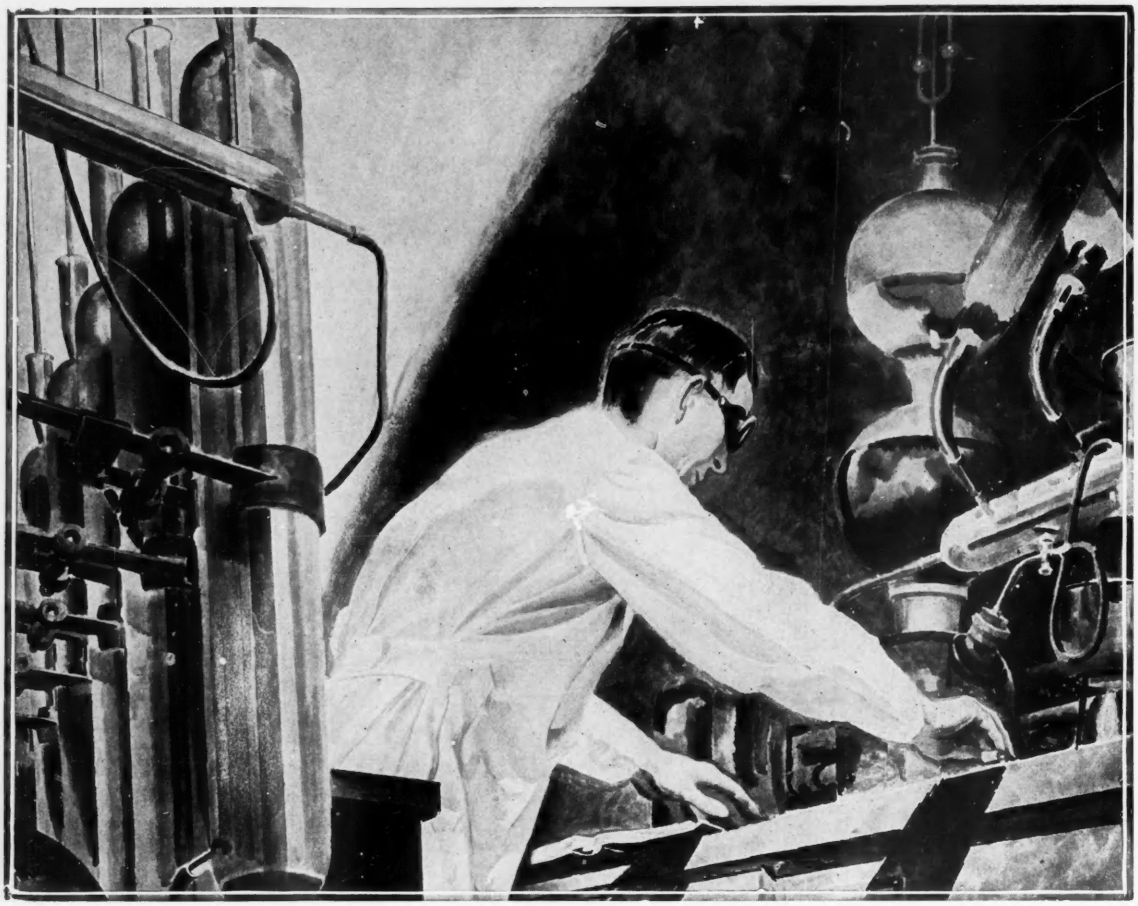
By A. T. Miller

Looking Towards Recovery

By John D. C. Weldon

Improve Your Security Position

By E. A. Barnes



IF HE'S LUCKY, A MILLION MEN WILL DIE!

HE was top man in his class when he graduated from college. It was predicted he'd have an exceptionally brilliant career.

And here he is, on the way to fulfilling those predictions. Do you know how? *By working on the development of a more deadly and inhuman poison gas!*

He might have been the scientist destined to find the cure for cancer. He might have held the key to the discovery of a preventive for infantile paralysis. He might have saved millions from agony, and heartbreak, and twisted limbs.

But the world couldn't spare him for that. He's needed to make poison gas. If he succeeds, a million or more men will die horribly when the next war comes.

Behind the lines, planes will zoom over cities and towns, and children will fall down strangling from one breath of air that a second ago had been clean and sweet. Death will have the greatest picnic of all time . . .

. . . when and *if* the next war comes. Will it? That's largely up to you—you and all the other decent people of the world. You'll have to fight hard to preserve peace. You'll have to keep your wits about you in order to resist extremely clever appeals to your emotions, and extremely ingenious propaganda. You'll have to throw the weight of aroused public opinion against the handful who want war. So far, in the world's history, this handful has had things entirely its own way. And in the future ? ? ?

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With The Editors

Insuring Accounts

AMONG the dozens of suggestions for improving the safeguards against loss to the public through brokerage house failures, one will stand out as easy to understand and appreciate. An informal committee of the Stock Exchange has been studying the idea of a mutual guaranty fund, built up through contributions from all member brokers. In case of an insolvency, then, the fund would make up any deficiency so that customers would suffer no loss.

This is a great deal like the Federal Deposit Insurance scheme—even as to its faults. The two main ones are the difficulty of assessing costs equitably and the fundamental injustice of forcing the sound, conservative brokers to pay for the mistakes of their less conscientious or less robust competitors. Those who have maintained high standards, and they are the large majority, will continue to do so. They will pay their assessments for any such plan as this, but they and their customers will receive no benefits. They will still rely on prudent methods, adequate capital, full insurance of various kinds, independent audits, and minimum firm or partner speculative commitments.

The very few failures which have occurred during recent years have been caused by disregard of these basic principles. The logic of the situation calls for attack on the problem at exactly these points, and it is encouraging to see that steady progress is being made toward laying down minimum standards to be strictly applied. The new management of the Exchange will undoubtedly lose no time in going over the ground and extending the scope of its requirements.

One practical objection to the guaranty fund from the brokers' point of view will be the cost. If commissions were rolling in and the future looked promising, a tax of one cent per share on transactions could be taken in stride. It has been calculated that such a rate would result in a fund of about $4,000,000 at the end of a year like 1937. But the Exchange may soon need all its resources for the purpose of buying up seats to reduce the membership, and it is obvious to all in the Street that commission houses are lucky these days to earn the rent on their offices. An additional charge of four or five per cent of gross revenues would be a serious burden at the present time.

However, our feeling is that the public, not the brokers, must be considered first. If the Exchange can devise other means of complete protection for brokerage accounts, without going to the expense this plan would entail, let it do so by all means. The whole system of security trading is still on trial, and the burden of proof is on the brokers. Any move which advances or protects the customer's interest will in the long-run be to the advantage of the Stock Exchange as well.

★ ★ ★ IN THE NEXT ISSUE ★ ★ ★

Can We Have Recovery Without Inflation?

By H. M. TREMAINE

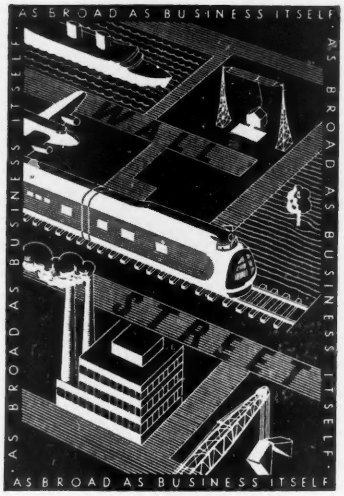
First Quarter Earnings and Second Quarter Prospects

N. smith

Twenty-five billion dollars of investors money are involved in the railroad problem which has been put up to Congress for solution. Action is needed in this crisis!

THE MAGAZINE OF WALL STREET

E. KENNETH BURGER, *Managing Editor* : C. G. WYCKOFF, *Publisher* : THEODORE M. KNAPPEN, LAURENCE STERN, *Associate Editors*



The Trend of Events

MEND THE PUMP . . . The disturbing thing about President Roosevelt's plan to resume pump priming expenditures is not the amount of money or debt involved. The Government's credit is secure—but how long can it remain so while the Administration goes on spending billion after billion in utter futility so far as lasting benefits are concerned? The fallacy in the President's program now is precisely what it was in his first spending drive: namely, that he is vainly pouring water into a broken pump. That is why the $18,000,000,000 spent by the New Deal for recovery and relief between 1933 and the end of 1936 failed to produce a stable and enduring recovery.

There is room for difference of opinion as to the precise reasons why the pump of private enterprise is out of order; but of the reality that it *is* out of order there cannot be the slightest doubt. Obviously, then, the primary necessity is to mend the pump. Otherwise, no amount of borrowed public money poured into it can possibly make it function. On the contrary, the longer this futile process is continued, the greater becomes the danger of permanent ruination of the pump.

What is the matter with this pump? A vast majority of business men think they know the answers. They include incentive-killing Federal tax policies, a one-sided and unfair labor relations policy, political hostility to and competition with the electric utility industry, overzealous economic and financial reforms, a frightening looseness of fiscal policy and the general instability of New Deal attitudes and methods.

Spending a few billions to prime this pump would be no gamble at all—if it were first repaired. Under those conditions, we would be betting on a sure thing. A great recovery would follow as inevitably as day follows night. But the President is either unable to see that the pump has been broken or finds it politically distasteful to do the repair job that is required. Therefore, Congress permitting, his new spending will not pull us out of the hole but, after a probable temporary lift, will leave us sunk deeper than before.

EUROPEAN CARDS RESHUFFLED . . . The agreement now formally reached between Great Britain and Italy is unquestionably a world event of the first magnitude. Together with the shift in France to a strengthened and more conservative government, it has substantially relieved the general European tension, as is reflected in the much more confident action of the London and Paris financial markets. It is possible to hope that these events mark a sane turning point in Europe's mad drift toward war, although it cannot for a moment be denied that nationalistic and racial interests remain in basic conflict at many danger spots in the world.

What we are seeing is not another idealistic effort to achieve "collective security" but a return, at least by

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELORS · 1907 — *"Over Thirty Years of Service"* — 1938

Britain and Italy, to the hard-boiled, realistic balance-of-power diplomacy of the pre-war type. For the first time Britain, in effect, deals with Italy as one empire to another. This is a victory for Mussolini. Agreement on the respective British and Italian spheres of influence in and around the Mediterranean, in Africa and in Arabia—so as to eliminate or lessen chance of future conflict—is a victory for both Italy and Britain.

Under the agreement Britain has Italy's pledge to withdraw entirely from all participation in Spanish affairs when the civil war in that country is ended; and both pledge themselves jointly to guard the Eastern Mediterranean against penetration by any third power. In importance to Britain and to the world, these two points overshadow everything else in the understanding now attained. While Italy clings to the Rome-Berlin axis, she sees eye to eye with Britain in politely serving notice to Germany that she cannot get to Bagdad without fighting the two dominant Mediterranean powers.

Other points of agreement cover withdrawal of Italian troops from Libya, an understanding on Lake Tana —which is Britain's main direct interest in Ethiopia—, recognition of British predominance in Yemen and South Arabia, recognition of Italy's conquest of Ethiopia and an undertaking to have other members of the League of Nations do the same, recognition of Italy's interest in the Suez Canal and a commitment that both nations will in future refrain from official propaganda attacks against each other.

Since 1914 scraps of paper have not provided a very solid foundation for European peace. The best reason for believing that this pact will be carried out is that it appears to offer material advantage to both Britain and Italy. It is important, however, to note that it will become effective only after termination of the Spanish war; and since Italy is irrevocably committed to victory for Franco, the success of Chamberlain's policy in seeking accord with Italy depends entirely on victory for the Spanish nationalists. The next Chamberlain move will be to encourage a French-Italian accord. This will present a delicate problem to the Daladier government, for it remains to be seen how much of a fight the French Socialists and Communists will put up in opposing a French-Italian deal based on victory for the Spanish-Italian-German nationalists in Spain. It need hardly be said that, with Hitler merely biding his time, the threat to European peace inherent in Germany's territorial ambitions in Middle and Eastern Europe, is unchanged. Only in the reverses suffered by the Japanese armies in China has any Fascist country experienced any definite loss of prestige in the only manner which means something to the Fascist mentality.

A BLOW TO RECOVERY . . . During the weeks when the pending tax bill was being considered and debated in the House and in the Senate President Roosevelt at no time gave any public indication of his attitude. When both bodies had acted, however, and when designated conferees of Senate and House were ready to meet and seek agreement on the final measure, Mr. Roosevelt publicly intervened with what amounts virtually to a demand that the House version of the bill be enacted into law. The President's action is unprecedented and—in our opinion—unwise. It has provoked instant resentment among numerous Senators. It may produce another bitter conflict between the White House and Congress.

The Senate bill is widely regarded as "recovery legislation"—and was so intended—because, while onerous enough, it does eliminate some of the most objectionable features of the existing taxes. As a result of the President's intervention, the outlook for sound tax revision is now highly uncertain. As this is written, the Senate-House conference is deadlocked, with every indication that the Senate will stand firm on its bill. The next step may be for the House conferees to go back to that body for further instructions.

Therefore, we do not know whether compromise will produce any tax bill at this session. Should agreement on a bill be reached, there will be a question whether the President will veto it. Should such eventuality occur, the final question would be whether majorities of two-thirds in each branch of Congress could be mustered in order to adopt tax revision over the President's opposition. Hence we are faced with a threat that the present unwise and deflationary levies—unanimously condemned by business men and investors—may remain on the statute books.

To say the least, this is a curious performance. For months it has been evident that adequate tax revision afforded an opportunity for undoing some of the damage that has been done to business and investment confidence. From refusal to exert any leadership in behalf of this movement the President has now jumped to positive leadership in opposition. If he succeeds, the deflationary blow to business sentiment will at least partly offset any stimulation afforded by his new venture in pump-priming. The record, however, is consistent. From the first he has inflated with one hand, deflated with the other.

BAD MANAGEMENT . . . Credit "management" came into great vogue in the years following the World War. We ventured into this relatively new art—it can never be a science—with establishment of the Federal Reserve System in 1913. Some of the sponsors of that innovation were confident that it would end possibility of depressions and panics. Nor did disillusioning experience end the vogue of managed credit. Amidst the ruins of the 1929-1933 collapse, the present Government decided that the need was more and better management. It took unto itself more powers and weapons of control than any previous American Administration had ever had.

After several years of using those powers in behalf of economic expansion, our managers began to believe in 1936 that a run-away boom impended. The controls were reversed. In sharply raising member bank reserve requirements, the Reserve Board stated that this action eliminated "as a possible basis of injurious credit expansion" a part of the huge total of excess reserves and further added that remaining reserves were more than

adequate to meet any probable need for credit. The fast depression that swept over us thereafter is now familiar history. In tacit admission of error in 1936, credit policy is now sharply reversed again to the expansionist side. As a result, the total of excess reserves thought dangerous and unneeded in 1936 will promptly be exceeded.

Both under the New Deal and under the Republican Administrations of the late lamented New Era, the cardinal mistakes of credit management have been bad timing—always very clear in hindsight. Of course, there are many experienced and thoughtful bankers who believe there "just ain't no sech animal" as credit control. On the evidence in this country to date, they seem to be right. If so, it would be wrong to criticize the New Dealers for failing to do the impossible. There is no proof that twenty-five years of attempted credit management has improved our lot one iota. There is some evidence that it may have tended to make the swings of the economic cycle more extreme than before. Maybe we ought to go back to the horse-and-buggy days when "credit management" was unheard of. The private bankers of that time were much criticized. From the present perspective, the job they did before advent of the Reserve System, does not look half bad.


Gendreau

WAGES AND PURCHASING POWER . . . Today, two of the most serious economic fallacies receiving wide credence in our country are: (1) That high wage rates automatically result in high purchasing power and (2) That the Government has the power actually to create purchasing power. To George M. Harrison, chairman of the Railway Labor Executives Association, should go a medal of some kind for airing recently both fallacies in a single sentence. In reply to the proposal to reduce railroad wages, which no disinterested observer will deny are high in comparison with the compensation paid for similar work elsewhere, Mr. Harrison said: "I never heard of such a silly thing in my life as the attempt to reduce purchasing power at the same time as the President is pouring out $4,500,000,000 in an attempt to increase purchasing power." Now, the railroads are in dire straits: their expenditures for materials, equipment and repairs is at a minimum: the loss of income among their stock and bondholders has been acute. While the maintenance of railroad wage scales undoubtedly helps the railroad employees with sufficient seniority to be working full time, it emphatically does not help those now without jobs owing to the curtailment of service. Nor does it contribute anything to the well-being of the roads themselves and to those who have invested money in them.

The purchasing power of the railroads and those who run them, considered as a unit, is in the service they perform and the wealth which is created as a result of this service. Whenever anything happens internally to the roads that brings about an impairment of service—whether it be the maintenance of excessively high wages or some other cause—then the true purchasing power of the country has suffered a reduction.

Similarly, when the Government creates money in the form of bank deposits it adds not one iota to the purchasing power of the country, for this is to be found in production and worthwhile service. The erection of a house, the assembly of an automobile, the building of a ship, are the stuff of which real purchasing power is made.

AMERICAN PLANES IN DEMAND . . . It is constructive only in the narrow sense that Great Britain will dispatch shortly to the United States a mission with a view to ascertaining the possibilities of obtaining American war planes. A certain pride is justifiable that American ships, particularly big bombers, are far ahead of the rest of the world. Also, as it is said that we have a capacity in excess of our own immediate needs, we may be gratified that in the midst of depression a substantial increase in employment is promised in at least one industry. Finally, if ship planes we must, it is better that they go to countries whose ideals and form of government is similar to our own. But we may as well admit that this business in war materials is not fundamentally a satisfactory one. They create no wealth in the importing country which would be of assistance in making payment: they have a tendency even though it be not immediately discernible to curtail our exports of products which are not materials of war. Contrast this with what happens when we export mining machinery, for example. The hoists, pumps and compressors are set up on some property abroad and before long they are creating real wealth—wealth for the people of the foreign country, part of which can be diverted without hardship to us in payment for the machines supplied. There is benefit to everyone in business of this kind.

THE MARKET PROSPECT . . . Our most recent investment advice will be found in the discussion of the prospective trend of the market on page 8. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, April 18, 1938.

What's Ahead for the Market?

BY A. T. MILLER

At this writing the general run of common stocks, excepting rails, have recovered approximately half of the ground lost in the February-March decline. This rally began slowly on March 31 as the customary technical upturn that always follows extreme reaction. It was briskly extended by the bullish rejoicing which accompanied defeat of the President's reorganization bill. It was carried further, even more sharply, on advance reports of the New Deal's return to a pump priming program; and official revelation of the details of this spending and lending program provided the final spurt. To speculator and investor, evaluation of the practical significance of the Administration's second "reflation" drive is now the dominant problem.

Snap judgment opinions on this program are already being widely voiced. They range from the view that it is certain to be a failure—both in terms of prompt business stimulation and of enduring benefits—to the optimistic belief that it signals infallibly the end of the depression and the beginning of a major bull market. We shall try here to keep our feet on the ground and analyze the meaning of these new Government moves to business and to the market as realistically and accurately as possible.

The first necessity is to understand clearly what the program actually is, because newspaper headlines calling it a $5,000,000,000 spending program, or what have you, may be misleading. The President's plan—which from present indications appears likely to be adopted by Congress without major modification—breaks down into four parts, as follows:

1. Additional relief appropriations requested total $1,550,000,000, of which $1,250,000,000 is to carry W P A for the seven months beginning July 1 or up until the time the next Congress is in session, with balance of $300,000,000 being divided among the Farm Security Administration, National Youth Administration and the Civilian Conservation Corps. The President himself is authority for the statement that this part of his program will not importantly increase the *present* rate of relief spending. This spending is viewed by Mr. Roosevelt as a partial offset to decline in income resulting from loss of jobs, as at best a stabilizing influence and not as a dynamic business stimulant. The President is correct in that view.

2. To encourage private credit expansion, the restrictive moves made by the Reserve Board and the Treasury in 1936 and 1937 are being reversed. De-sterilization of $1,400,000,000 of Treasury gold, now inactive, and a reduction in reserve requirements of member banks will have the net effect of increasing excess reserves of such banks to a record high of around $3,800,000,000. Theoretically, this would make *possible* additional credit expansion of some $23,000,000,000. Bank credit, however, is already redundant. It does not follow that borrowers of sound credit standing will promptly rush to the banks or that the banks will immediately begin a major expansion of their purchases of investments.

3. The lending authority of the Reconstruction Finance Corporation has been increased by $1,500,000,000. How much of this will in fact be loaned to business and how soon is highly conjectural. It should be noted that the President frankly classes this, along with relief spending, as an effort to check or halt the downward economic spiral. In his own words, only a small part is likely "to enable businesses to employ more people or to start new enterprises."

4. Proposed expenditures, or loans, for a variety of public works—Federal and local—amounting to a total of $1,912,000,000. The President advances this as the only step in his program that will provide a positive addition to the national income by creating new work.

Boiling this down to the essentials, steps 1, 2 and 3 are aimed at stopping the depression where it is now. Step 4 is aimed at positive business stimulation, at starting a recovery cycle. Therefore, the questions that we have to answer are the following: Is the sum of $1,912,000,000 enough of itself to produce any important stimulation of business? How fast can this money go to work? Will the stock market *anticipate* a business rise, based on this spending, or will it wait for proof? And finally, will the stock market begin a major rise on the belief that the added Federal debt involved in this program —a debt addition calculated for the next fifteen months, by the President, at approximately $1,500,000,000 or 4 per cent more than the present debt total—is dynamically and imminently inflationary?

After five years of experience with Federal deficit spending as a device for influencing the business trend, responsible statisticians are still uncertain as to the actual cause-and-effect relationships, the obvious reason for this uncertainty being that such spending is never the sole, or even the most important, factor affecting

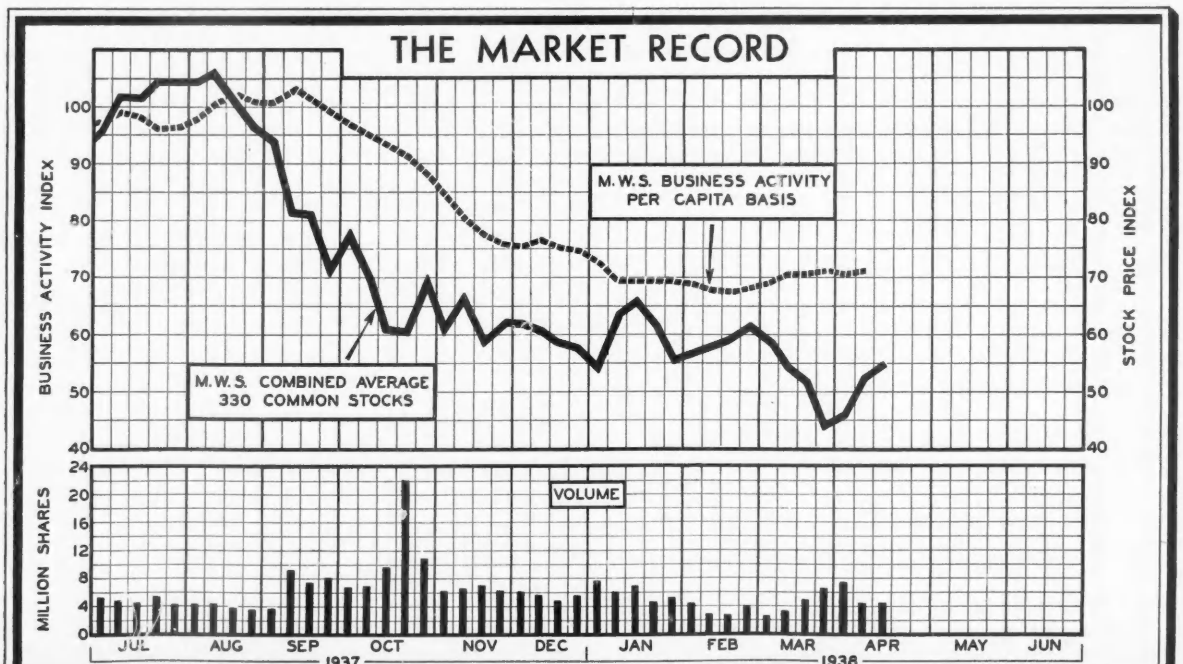
While conceding that market lows may have been seen, we would await confirming evidence of uptrend in the market's own pattern, direction of bond prices and in business before adopting other than a selective attitude toward new commitments

business activity. Nevertheless, it is worth noting that the first New Deal spending program was larger than the present program; that it began in November, 1933; that for two months it had no visibly stimulating influence, with the market, indeed, reacting; that the first quarter of 1934 brought a temporary rally in the market and in business activity; and that a year after the pump priming program started the market and business indexes were back exactly where they had stood when New Deal spending was at its lowest point. To this brief record, it should be added, as an especially important fact, that throughout the first New Deal recovery the *market persistently showed a tendency to move with, or a bit behind, the business trend* and little inclination to anticipate or guess a coming business rise.

In our opinion, it would be risky to assume that the coming spending drive will be *more* effective than the first one was. We see some reason to assume it will be *less* effective. Applying this reasoning to speculative and investment policy, we would adopt a highly selective attitude toward the market and would incline to caution in extending longer range commitments. This policy is advised, not because of any certainty that the market must go substantially lower but because the conservative course can only be to guard against the *possibility* that it may go lower in coming weeks and to await more positive evidence of the termination of deflation than is now available.

We have previously expressed the opinion—and we adhere to it—that in point of time we are, at the worst, relatively near to the end of the bear market. It is probable that we may already have seen bottom—but the actual evidence, both in the market's technical pattern and in the business trend, remains at the moment too inadequate for a confident and reasoned opinion on this point. You may ask, "What evidence should one demand?" The answer is simple. We would like to see any stiff reaction in coming weeks halt at or above the previous bear market low in the industrial average. We would like to see such reaction followed by renewed rally. We would like to see such rally confirmed by a stronger trend of bond prices. We would like to see both stock and bond rallies confirmed fairly promptly by more recovery in our composite business index than we have yet seen this year.

There are some favorable signs suggesting that a considerable number of stocks have put bottom behind and indicating probability of an increasingly selective movement. A rather impressive number of diversified issues held above the lows of the fourth quarter of last year in the February-March decline of the market to a new average low. Among them (*Please turn to page* 64)



Happening in Washington

BY E. K. T.

Roosevelt defeat on reorganization bill is turning point in New Deal, ranking with defeat of Supreme Court plan, wage-hour bill, undistributed profits tax principle. But it is not a rout. Congress is not anti-Roosevelt but is increasingly against certain trends of New Deal and wants more say in policies. Few in Congress believed reorganization bill to be as bad as pictured by business opposition but chose it as good vehicle for registering a protest. It was a vote of lack of confidence.

Executive prestige has been injured but not irreparably. Roosevelt thinks, with good reason, the voters are still with him. Indications are he will accept present independent spirit of Congress, adhere to his program and objectives but not fight hard for them this session, depend on primaries and elections to renew his mandate. *But fact is he has lost support from the left as well as middle; e.g., the House Progressives and Farmer-Laborites who voted against reorganization bill.*

Quick adjournment rumors circulating immediately on defeat of reorganization bill based on feeling that leadership had collapsed and no legislation could pass were wishful thinking, but fact is Congress is in no mood to tackle new problems and can clean up pending bills in few weeks. Leaders have been talking May 14 adjournment presumably with White House sanction, but now word goes out that Roosevelt desires delay, why is not known. June 1 is good guess, which means that only the more important measures still in committee stage have much chance. *No half-baked measures affecting business will pass.*

WASHINGTON SEES—

Reorganization bill defeat a New Deal turning point.

Roosevelt's prestige injured but likely to recover.

Democratic leaders stressing party solidarity over Roosevelt personality.

Early Congress adjournment in prospect.

New spending plans adopted in haste.

No permanent rail legislation this session.

Continued strict supervision of banks.

Spending decision was reached by Roosevelt after months of resistance to pressure from half his advisers. As late as April 1 the non-spenders felt he was still in their camp, but failure of business to turn up by then brought scare of midsummer business panic and adverse fall election results should administration continue its deflationary "wait out the storm" policy of recent months. Now his proposals to prime the pump by the spending of $3,400,000,000 and release of sterilized gold, thereby greatly expanding the credit base, are received with as mixed feelings in Congress as they are elsewhere in the country. Conservatives feel that relief spending should be restrained and that the R F C lending already authorized is as far as it is wise to go. There is, however, a fear of defeating the spending proposal in its entirety which is modified only by a counterbalancing fear of runaway inflation which has at last been recognized.

Major spending recommendations of Roosevelt will be voted by Congress though with sizable opposition particularly to P W A revival. But no blank check will be written; Congress will insist on tying strings and outlining methods. President has been warned of this and is prepared for it.

Radical plans for new types of spending, disguised loans, trick bookkeeping and inflationary measures proposed by left wing groups were rejected by Roosevelt, and in comparison with them his spending message looks like a compromise pretty far to the conservative side.

Credit expansion through gold desterilization and reducing required bank reserves is largely psychological, since banks were already fully able to meet all credit demands. Gold move saves the Treasury some interest money and improves its cash position.

Railway legislation *of a permanent nature is not expected at this session,* though action may be taken to liberalize federal loans and eliminate land grant reductions. President's message contained no recommendations and not even any new ideas, and value of suggestions made is largely offset by accompanying divergent views of officials consulted. By throwing problem in Congress' lap, F D R may feel he is following popular desire that he not initiate legislation, but actually his lengthy consideration of the matter kept Congress from working on it all session and served only to postpone action.

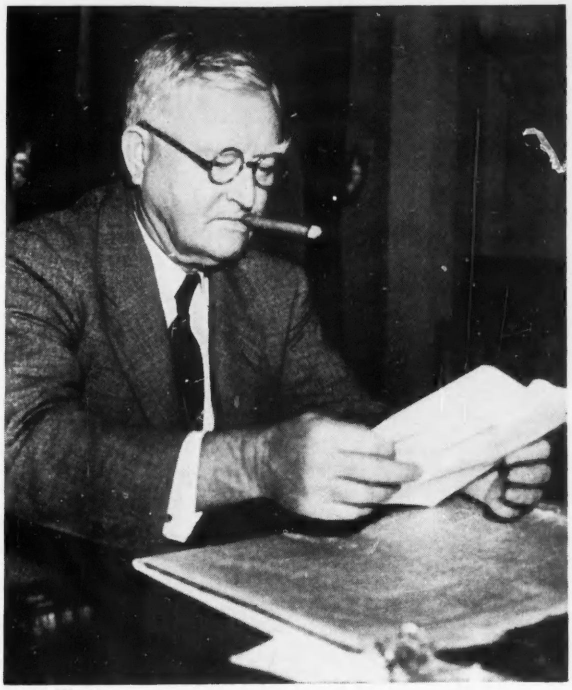
Mortgage association formed by R F C is largely experimental; pulls F H A out of a hole by providing market for banks' insured mortgages; will explore field which private capital is expected to enter sometime; may prove substitute for mortgage discount bank system long vainly sought by real estate interests; will point way to sound real estate investments by individuals and trusts free from malodorous features of real estate bonds of the '20's. New set-up will take over activities of old R F C mortgage association and operate on much more extensive scale, preparing to issue debentures and open for business in a big way, but now that the market is available officials wonder if banks will rush to sell their F H A insured mortgages in spite of their demands for a ready outlet.

F D I C feels present period of financial uncertainty is best possible time to impress bankers with its insistence on maintaining high value of bank assets, preventing speculation in portfolio purchases, depreciating losses currently, discouraging dividend payments out of asset sales, and particularly increasing ratio of capital to deposits regardless of liquidity. So F D I C's examiners will continue close scrutiny of managements even of banks in apparent good position, while Corporation will intensify its program of eliminating and merging weak banks to prepare against possible financial crisis. *There will be no reduction in deposit insurance premiums for perhaps years.*

Business loan authorization gives R F C an amazing blank check. As long as Jesse Jones has the say loans will be conservative and will total far less than the possible 1½ billion but the possibilities for waste, politics and foolish experiments are tremendous. Incidentally, banks not members of Reserve System will virtually have discounting facilities from R F C.

Open market operations of Federal Reserve System should be completely in hands of Reserve Board with Reserve Bank heads having no say, in opinion of Chairman Eccles who will seek such legislation when time is opportune—which indicates bankers have not fully supported his credit control moves.

Small home financing provisions of amended F H A act are still skeptically viewed as experimental. *F H A anxiously wondering how many banks will actually write 90 per cent first mortgages,* has already tightened requirements for the unwanted "character" (Title I)



Wide World

Vice-President Garner leads the forces of conservative Democrats.

loan for a $2,500 house, fearing heavy losses from jerry-building; and is moving cautiously and reluctantly to put into effect the equally unwanted LaFollette amendment for insurance of farm-house mortgages.

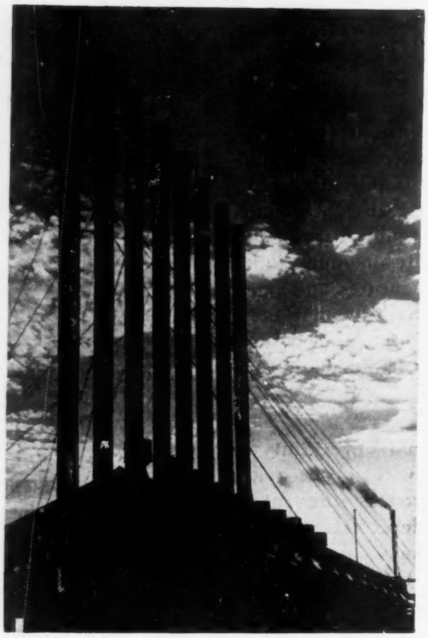
Housing fund increase proposal, to double the present 500 million bond-issuing power of U S H A, is largely for psychological purposes at present. True, Housing Authority has "earmarked" most of its $500,000,000 but this involves no real commitments and simply encourages nascent local interest, and not a bond has been sold to date. So-called "contracts" with 5 communities totaling $16,800,000 are really only commitments and authorize spending 3 per cent of projected cost in drawing plans prior to negotiation of actual loan and grant contract. Low-cost housing program is moving but not as fast as ballyhoo suggests.

Price law survey and study of merchandising trends launched by W P A as white collar relief project was largely instigated by Justice Dept. which very much wants economic data on chain store practices, price maintenance, loss-leader laws, quantity discounts, etc., but lacked funds and machinery and feared adverse public reaction if it attempted job itself. If completed as planned, the report should be valuable to distributors and students of marketing as well as furnishing material to Administration's future anti-monopoly drive.

Wage-hour *has scant chance of passage despite intensified attempts of House committee to reach an acceptable compromise.* Forces which licked it before are still as strong and their cause is aided by the break from Roosevelt on the reorganization bill. (*Please turn to page* 64)

Looking Towards Recovery

BY JOHN D. C. WELDON


Nesmith

A DEPRESSION, like a boom, is both a physical reality and a state of mind. For the second time in nine years we have had it demonstrated that neither private bankers nor public credit "managers" know how to control the business cycle or the swings of human hope and fear.

An eminent and supposedly wise banker once said, "The way to prevent a depression is to sit on the boom." But he did not say how or when. Early last year the Roosevelt Administration thought it saw a boom coming and proceeded vigorously to sit on it. Actually, we had had only a partial recovery. The boom that our "money managers" saw was imaginary. But there is nothing imaginary about the depression that began shortly after they applied the brakes.

Today, as in the several years following the 1929 debacle, we are deluged with varying and conflicting opinions—expert and otherwise—as to the causes of our distress and as to the remedies that should be applied. We know our depression problem is enormously complex. We know that strictly objective analysis of it, from the present too close perspective, is so difficult that it should be attempted with proper humility. Nevertheless, we shall herewith try to get at the elementary facts, discarding the non-essentials.

To begin with, it seems obvious that a distinction must be made between the conditions required for *starting* a recovery, following a severe depression, and the conditions required for *keeping such a recovery in progress*. In 1933, between March and early July, we saw a remarkably fast *beginning* of recovery. In little more than three months this publication's business index advanced approximately 54 per cent. Long term investment confidence—regarding the absence of which we now hear so much talk—had nothing to do with that change for the better. Expansion of construction and of activity in capital goods was not the cause of it. Corporate financing played no part. The New Deal reflation program was not a factor because it had not been formulated.

No, the upward reversal in the spring of 1933 was partly psychological, partly in anticipation of inflationary developments, partly to beat the gun on N R A prices and labor conditions and partly the natural sharp rebound from extreme business stagnation. All of these factors can be boiled down into one simple, common denominator which takes us to the very heart of the problem of terminating a deflation and starting a recovery: namely, *confidence in the near term outlook for profits—profits in manufacture and trade, profits in the commodity and security markets.*

Neither the average business man nor the average investor plans nearly as far ahead as he is generally credited with doing. Moreover, longer range plans are formulated on the basis of the *current profit trend* and judgment as to the *continuity* of that trend. Depression begins when the near term outlook for profits becomes unfavorable, whatever the reason or reasons. Depression continues as long as the near term outlook for profits remains unfavorable. Recovery begins when the near term profit outlook becomes favorable, whatever the reason or reasons for the change in such trend.

No matter how extreme the depression, once confidence in the nearby profit outlook revives, business always has enough cash or available bank credit to finance the start of recovery by expanding inventories and production. The conditions required for such a movement to spiral on upward into a broad prosperity cycle are far more complex, for the factors which may affect confidence in the continuity of a favorable profit trend include credit changes, the flow of corporate and

personal savings into long term investment, costs of materials, labor and taxation; changes or threat of changes in the laws affecting industry, trade and finance, variations in exchange values as between different major commodity groups, international currency relationships, changes in world trade trends however brought about, variations in the international capital movement, internal depression or prosperity in important foreign countries such as Great Britain, war or peace, etc.

In every depression and in every recovery we are confronted either with a new set of controlling factors or a changed emphasis on individual factors. Never has a combination of favorable conditions endured long enough to give us more than a relatively few years of real prosperity. Until 1929, however, we did manage to maintain a long term progress by the process of advancing three paces and falling back only two, so that each recovery peak found us at a new high in our per capita economic activity and in our living standard.

It is futile now to conjecture as to the duration and scope of the next recovery cycle. The first and most pressing problem is to get a start on recovery. The second problem will be to keep it going as long as possible.

Fast Turn Improbable

The general setting is not now as favorable to a fast and decisive start on recovery as it was in the early spring of 1933. Inventories of finished and semi-finished goods are much higher now than then. Prices and wages are not now nearly as depressed as they were then, which means reduced possibility of dynamic rebound and therefore less reason now than in the spring of 1933 for business men to depart from cautious buying and operating policies. In every respect the Administration's program for inducing an economic recovery by direct intervention is far more timid now than it was then. Finally, business men and investors now have much less confidence in the effectiveness of Government spending and Government planning in general than they had five years ago.

For many months President Roosevelt has listened to advice from two schools of thought among his associates. The two broad alternatives urged upon him were: (1) to move to the conservative side in statements, actions and policies with sufficient emphasis to restore business and investment confidence; (2) to return to spending and lending for economic pump-priming. As this article is written, Mr. Roosevelt has decided to go along with the spenders and the lenders.

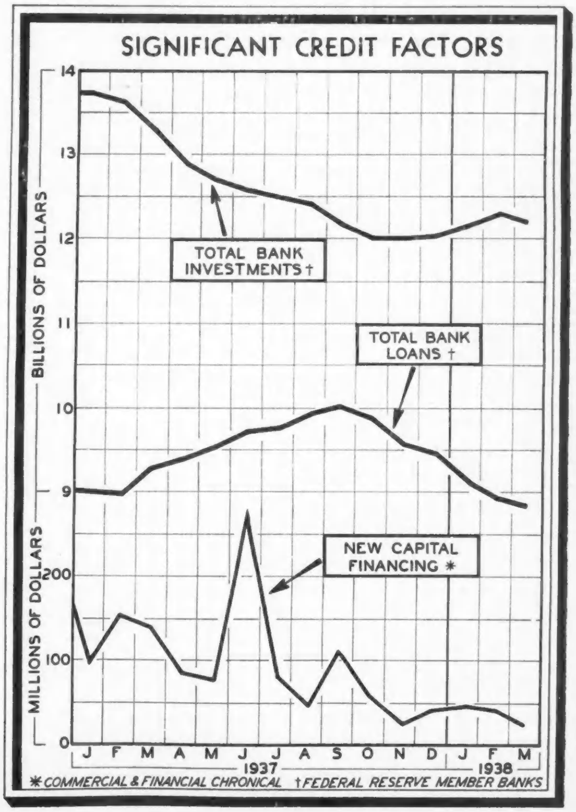
In addition to increasing authorized R F C lending powers by $1,500,000,000—which became a certainty several weeks ago—interest centers chiefly in a proposed increase in relief spending—which can surprise no one—and in a proposal to lend or spend $1,912,000,000 of Federal funds for public works.

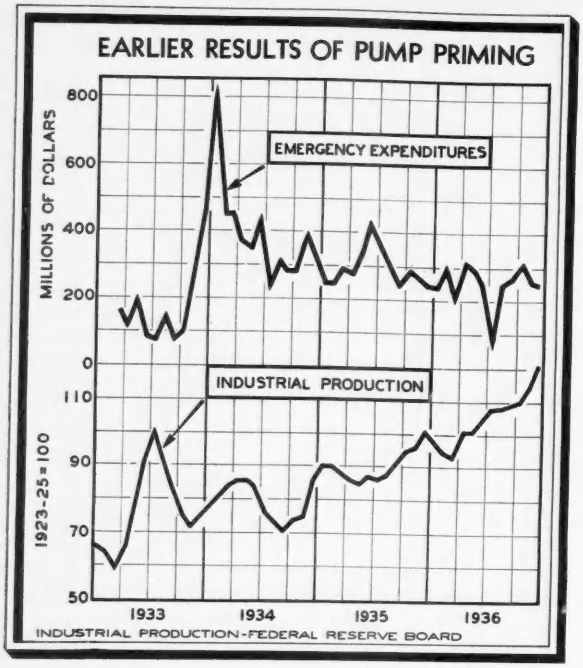
Since the turn of the year W P A spending and also Federal disbursements to farmers have increased considerably, without visible effect on business activity thus far. While it is impossible to project relief spending for the next fiscal year, it would be surprising if it were not a minimum of at least $2,000,000,000 or approximately $750,000,000 more than in the present fiscal year, ending June 30.

The machinery available to the Government today no doubt would make it possible to get relief and public works funds and R F C loans into circulation as purchasing power somewhat faster than was the case in 1933-1934. On the other hand, the dollar total of this effort, as now projected, is substantially smaller than in the first New Deal recovery drive, and so is faith in the magic of Federal spending.

At best, expenditures for public works are relatively slow to find reflection in business activity. How much and how fast R F C lending will be increased cannot be forecast, because it depends partly on the demand for loans and partly on how liberal Mr. Jesse Jones will be in his judgment regarding safety of such loans. Mr. Jones in the past has been something less than a philanthropist with the public funds under his control.

Excluding R F C, which will probably in any event play a less dynamic business role than it did in 1933, it will perhaps be helpful to review the Federal deficit spending in 1933-1934 and refresh our memories as to the results. Federal expenditures of a type which increased the national purchasing power declined to a low of approximately $73,000,000 by the month of October, 1933, as a result of the original Roosevelt economy program. Thereafter they were stepped up rapidly, rising to $140,000,000 in November and to $258,000,000 in December. During those three months, with Federal spending more than tripled, this publication's adjusted index of business activity declined by about 7 points or 10 per cent. In January, 1934, the spending shot up to $384,000,000—a level not reached again until the veterans' bonus payment in 1936. From January to





April our business index advanced from a low of approximately 63 per cent of the 1923-1925 average to a high of 81 or by some 28 per cent. There is, therefore, factual evidence that, with some lag, rapid increase in Federal recovery spending between October, 1933, and January, 1934, played some part—and possibly a vital part—in the January-April business rise.

Nevertheless, we must note that such spending for the rest of 1934, or from February on, averaged approximately $260,000,000 a month—without notably sharp variations—or almost exactly the average spending of the months of November and December, 1933, and January, 1934. Yet from the April peak our business index sagged again to about 63 by the autumn of 1934. At the close of 1934, the business index stood almost exactly where it had stood in October, 1933, when New Deal recovery spending was at its lowest.

On the whole, then, leaving out all other factors, it would seem logical to conclude that the new spending and lending program—assuming its gets under way very promptly—may of itself stimulate business activity to some extent during the third quarter of the year, which, by coincidence, would be just the time such stimulation would be most helpful to Democratic politicians seeking re-election to Congress.

It need hardly be added that sensational monetary manipulation and price-raising experiments of the 1933 type appear to be out of the picture.

All of this adds up to the probability that New Deal planned stimulants will not be able to initiate a recovery remotely comparable, in speed or scope, with that of the spring and summer of 1933.

Turning to the other side of the picture—the role that private capital and private credit may be expected to play in starting a significant recovery—we arrive at the same conclusion: that is, no fast or sensational spurt. This is nothing to regret. The sharp 1933 rebound was wholly abnormal, and we paid a penalty for its speed. To last any length of time, a recovery must be founded on solid economic and financial adjustments. If so founded, its inception will be gradual and orderly—building up on cumulative revival of confidence. Most of our past recoveries have been such, initially so moderate as to carry no great conviction from week to week.

On the part of business and finance, the mistakes and errors of judgment to be liquidated are not remotely to be compared with those existing in the 1929-1932 depression. Only in a protracted period of abnormally good business—a boom—are consumer markets saturated, facilities over-built, corporate debt over-expanded and a bubble of speculative credit created. The one serious mistake that can be charged to business men in the final phase of the inadequate New Deal recovery was excessive forward buying, due to erroneous judgment as to the continuation of the wage-price inflation then in progress. This mistake has already been partially liquidated; and such excess as remains in the general inventory position is excess only in relation to an acutely depressed level of business.

All experience teaches us that beyond reasonable limits deflationary adjustments tend to feed on themselves, producing new maladjustments and the familiar downward spiral of depression. Need we go through the pain of deflating all inventories into line with a 40 per cent sub-normal national income before we can go ahead again? Only if our Government has lost all capacity for enlightened statesmanship.

The more important errors for which we are now paying a penalty have been beyond the control of business men and of the private banking system. The Roosevelt Administration has carried incentive-killing taxation of personal and corporate incomes and of capital gains to heights undreamed of a few years ago. Through punitive attack and direct Federal competition it has virtually halted the needed capital expansion of the public utility industry. The net effect of its one-sided labor policy—uneconomic wage levels in key industries, sit-down strikes, union violence, harassment of employers by the biased and high-handed Labor Relations Board—has been definitely deflationary on business volume and business confidence. Its method of financing the Social Security program is deflationary and is unsound fiscal policy. The chronic deficits and the mounting Federal debt for which it is responsible are inflationary in longer range implications—unless a turn-about is made in time —*but for the present are one of the most deflationary influences affecting our economy* because the threat of inflation scares capital into idleness. If and when such threat becomes imminent, capital will rush into existing equities for self-protection, but such a flight from cash would add nothing whatever to the real wealth of the country and is a wholly different thing from productive long term investment.

Beyond specific policies, however, we might as well frankly face the fact that, whether rational or not, the fear and distrust in the mind of the average business man and the average investor is personified by President Roosevelt. There is no evidence that Mr. Roosevelt actually believes whole-heartedly in the traditional American capitalism. There is abundant evidence that he remains instinctively scornful and suspicious of business men. The antagonism is mutual.

Pending changes in the undistributed earnings tax and the capital gains tax are definitely on the favorable side. It is also highly encouraging that Congress is increasingly re-asserting its independence and that the drift of sentiment in Congress is toward sane conservatism. Nevertheless, the change in the political picture is but partial, even fragmentary. By far the greater part of the New Deal—mistakes and all—remains intact. Positive leadership for the cause of a privately-financed business recovery is lacking. There is no recovery program in Congress. The nearest thing to it is the pending tax revision—and after more than three months of discussion, while business clamored for prompt action, this has not yet been finally adopted.

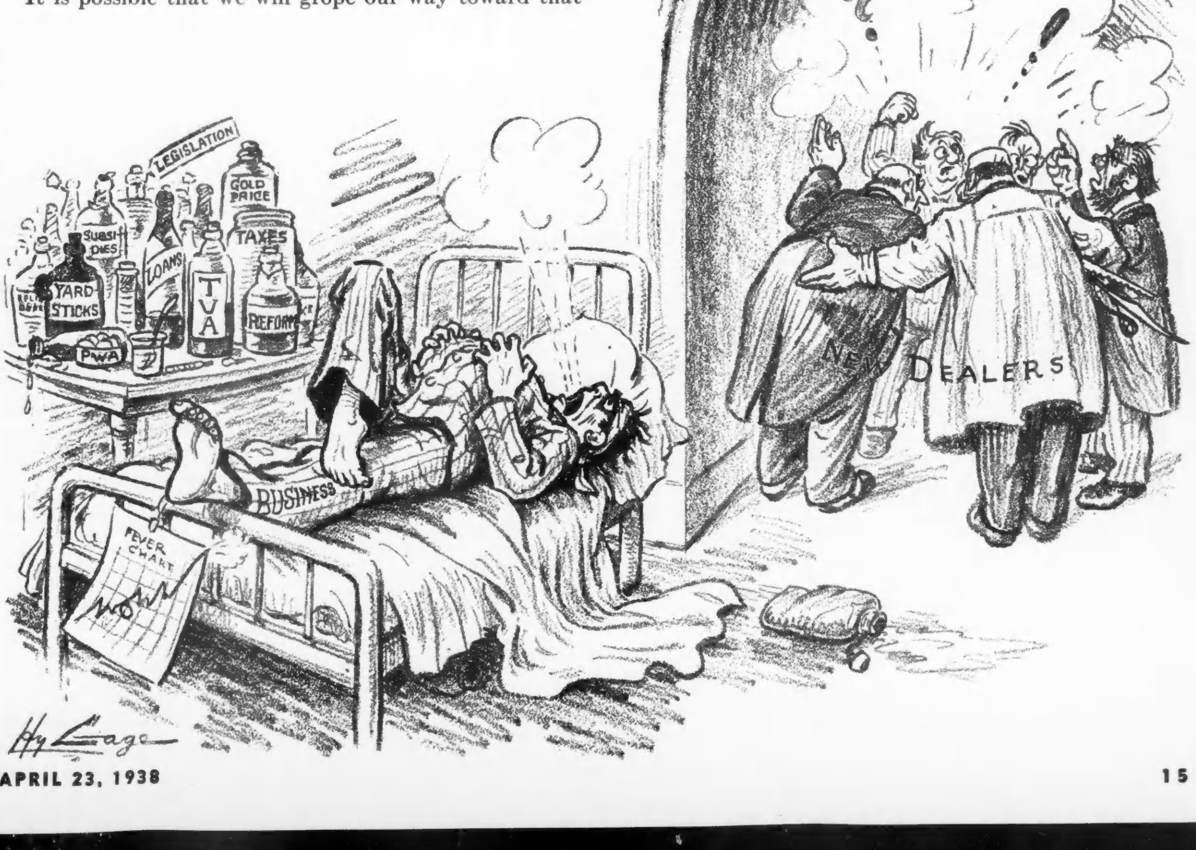
Looking toward the second half of the year—the first half promising no significant recovery—it is a somewhat paradoxical setting that we see. On the one hand, Congress, in action and attitude, is giving mild aid to the cause of an orthodox recovery—but not enough. On the other hand, the Administration is again betting on pump-priming, which in reality is merely the futile and temporary business advance that reflects substitution of public credit for private investment—but its proposed outlays are not large enough to buy a dynamic recovery.

We cannot have it both ways. This country must retreat from Federal pump-priming and Government-plan-everything; and return to primary reliance on private capital and private initiative—or it must go all the way to collectivism or state socialism. To be sure, we can have another partial recovery—if the Government spends enough money; but this would merely delay the reckoning and the ultimate decision as to what the form of our economy is to be and what its relationship to the Federal Government is going to be.

It is possible that we will grope our way toward that decision for a long time, regardless of waves of recovery that do not get above a sub-normal limit. On the other hand, it is possible that events or some one dramatic event may magically lift the clouds of fear and distrust. The political tide has been running toward the Left in this country for nearly ten years. An orthodox, capitalist recovery—in this writer's opinion—awaits a general conviction among business men and investors that this tide has definitely turned and that a transfer of political power to the Right is on the way. As to this, however, we may not get much light until the elections in November.

Meanwhile, the direction taken by our domestic political winds is more important to us than anything happening in Europe. Indeed, in permanent significance, the decision of the American voters as to what kind of an economy and what kind of a government they want is more important to us than even a European war would be. It is likewise very important to the world. If we retreat further from capitalism and advance nearer to authoritarian government, the cause of democracy on this globe will be pretty conclusively sunk.

Cheer up! It *can* happen here—but we are optimistic enough to believe that it will not. We are betting that the skids are now being greased for our politicos of the Government-run-everything party.



Extent of Hazards in Companies With Foreign Stakes

Part 1. Latin America

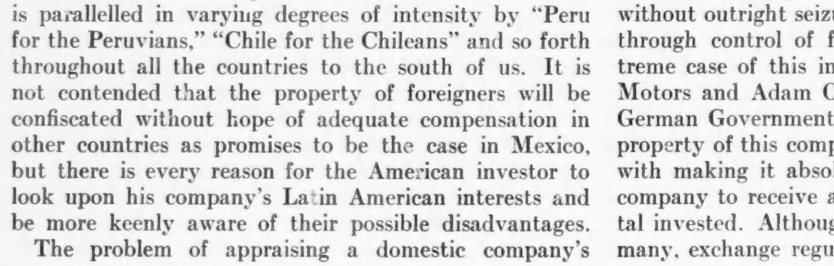
BY NORMAN TRUMBULL CARRUTHERS

In the last issue of The Magazine of Wall Street an article entitled "Mexico robs American investors" told of a mounting tide of Mexican nationalism which has culminated in the expropriation of American, British and Dutch oil properties by the Mexican Government. Elsewhere in Latin America this nationalism is in less acute form, but the cry of "Mexico for the Mexicans" is parallelled in varying degrees of intensity by "Peru for the Peruvians," "Chile for the Chileans" and so forth throughout all the countries to the south of us. It is not contended that the property of foreigners will be confiscated without hope of adequate compensation in other countries as promises to be the case in Mexico, but there is every reason for the American investor to look upon his company's Latin American interests and be more keenly aware of their possible disadvantages.

The problem of appraising a domestic company's foreign interests is not an easy one. In the first place one usually has to contend with the reticence of the company itself: seldom will one say that there is so much money invested here, so much there, and the return on the capital has been so-and-so and this and that. An even greater obstacle to correct appraisal is the countless ways in which confiscation can be effected without outright seizure. It can, for example, be effected through control of foreign exchange. There is an extreme case of this in the relationship between General Motors and Adam Opel, the German subsidiary. The German Government has made no attempt to seize the property of this company: it has merely contented itself with making it absolutely impossible for the American company to receive any return whatsoever on the capital invested. Although usually less severe than in Germany, exchange regulation is general in Latin America.

Another habit of Latin American governments which has the effect of impairing the value of American investments is the passing of unreasonable wage regulations, employment conditions, social security plans and the like. This was the method long used by Mexico and which culminated in outright seizure of foreign property. A third method is to claim fraud, bribery, or corruption at the time the concession was granted and from this there usually evolves a much more onerous contract.

While we cannot here appraise the economic and political situation, together with the attitude towards the investment of foreign capital in every Latin American country, there follows a list of American companies with important interests in this territory. Where possible, a hint as to the size and significance of the interest is given.



Gendreau

Looking over Rio De Janeiro, Brazil, towards the harbor in the early evening.

American Investors Have a Direct Stake in Latin America Through These Leading Companies

American Smelting & Refining. Mexico is most important Latin American country to this company. It was recently stated officially about 18 per cent of total earnings in January and February, last, were derived from the Mexican properties. In Peru, A S & R has a 99 per cent owned subsidiary, Northern Peru Mining & Smelting Co. which mines and smelts lead, zinc, copper, silver and gold. It is, however, a comparatively minor interest.

American & Foreign Power. Operates extensively throughout South America in light, power, transportation and other services. In the Argentine the total population of territory served is some 2,500,000; in Brazil it is not far from 5,000,000; in Chile well over 1,000,000; in Colombia about 500,000; and probably another 500,000 all told in Ecuador, Panama and Venezuela. In addition to South American interests, Amer. & For. Power has property in Cuba, Central America and Mexico. Over past few years the company has been seriously hampered by foreign exchange restrictions and there have been occasions—notably with Chile—where disputes over the remittance of money assumed for a time serious proportions. The Electric Bond & Share Co. has a large interest in Amer. & For. Power.

Anaconda Copper. This company has no less than three important Latin American subsidiaries which, in the aggregate, comprise an important part of the parent company's assets. Chile Copper, operating at Chuquicamata, Chile, is possibly the greatest copper mine in the world: its rated capacity is some 450,000,000 pounds of copper annually, and in 1937 actual production was in excess of 400,000,000 pounds. Chile paid dividends last year of more than $12,000,000, of which Anaconda received practically the whole amount. Last year, Andes Copper, the second Chilean subsidiary, produced 121,000,000 pounds of copper and not unimportant quantities of silver and gold. Dividends of $1,800,000 were paid and Anaconda received virtually all. Greene Cananea, Anaconda's Mexican subsidiary, last year produced 44,000,000 pounds of copper, nearly 400,000 ounces of silver and nearly 16,000 ounces of gold: dividends paid totalled $2,500,000 of which the parent company received practically the whole amount. Dividends from these three Latin American subsidiaries were equal to about 52 per cent of Anaconda's total net income in 1937.

Anglo-Chilean Nitrate. Is one of the leading producers of Chilean nitrate and iodine. Total resources are somewhat under $50,000,000. The American debentures, outstanding in the principal amount of about $12,000,000 are actively traded on N. Y. S. E.

Armour & Co. Operates packing plants in Argentine, Uruguay and Brazil. At the end of January, R. H. Cabell, company's president, stated in connection with South American operations that they had had a good year up to August but then Argentine live stock interests and the Government had brought about so great a rise in prices that it was impossible to earn a profit. He added, however, that more recently the situation had improved. While possibly not vital, Armour's South American business is a very important part of the whole.

Barber Co. Has a virtual monopoly on the supply of natural asphalt through the exclusive right to mine this product from the famous natural asphalt lake in Trinidad. This, however, is less important than it may sound, for by-product asphalt from oil refining is much the more important source of the substance. Royalty receipts of oil totalled 1,800,000 barrels last year, mostly from property in Venezuela.

Brazilian Traction, Light & Power. This, a Canadian corporation, is the most important public utility in Brazil. The population of the territory served with electricity is between four and five million and that over which the company's telephone lines extend is a great deal more than this. Brazilian Traction, Light & Power has total resources in excess of $400,000,000. Though a Canadian company, there is considerable American money invested. The ordinary stock is traded on the New York Curb. Control of exchange on the part of the Brazilian Government has been an adverse factor for some years. Fascist tendencies are grounds for some concern.

Cerro de Pasco. Has invested more than $100,000,000 in mines, land and equipment in Peru. In 1937 there was produced 75,000,000 pounds of copper, nearly 10,000,000 ounces of silver, 51,000 ounces of gold, 42,000,000 pounds of lead and 14,000 tons of zinc in the form of concentrates. Except for certain current assets, there is essentially nothing behind 1,122,842 shares of common stock other than the Peruvian property. Although it is not believed now that there is serious tension, there have in the past been more-or-less important disputes with landowners over the matter of damage by smelter fumes. Not far from 1,000,000 acres of land were taken over in the course of these disputes and the company has become a raiser of livestock.

Consolidated Oil. Through the 52-per-cent-owned Venezuelan Petroleum Co. has a royalty interest in producing oil and gas wells in Venezuela. Consolidated Oil has an interest in Mexico through certain wholly-owned subsidiaries and others partially owned. In all, however, the Latin American business is a very minor part of the whole.

Corn Products Refining. Foreign affiliates operate factories in the Argentine, Brazil and in Mexico. It is not known what investment these factories represent. Operations in the Argentine at least, however, are believed to be fairly important, for the company speeds up or slows down manufacturing operations in the Argentine and the United States, favoring the country in which the price of corn is lower.

Ford Motor Co. Has a concession for rubber development of approximately 2,500,000 acres of land in Brazil. Associated companies carry on sales, service and other operations in the Argentine, Cuba, Mexico, Brazil, Chile and Uruguay. While the parent company could well stand the loss of the actual property owned in Latin America, as a sales outlet this territory in the aggregate is less unimportant.

Gulf Oil. Is one of the most important producers in Venezuela. Last year, Gulf's production of crude oil, including all royalty oil from leases in which the company is interested, amounted to 67,500,000 barrels and of this nearly 21,000,000 barrels came from Venezuela. In addition it has properties in Mexico and is among the American companies protesting the expropriation of their businesses by the Mexican Government. Two years ago Gulf Oil sold a three-fourths interest in the Barco concession in Colombia. The buyers were the Texas Corp. and Socony-Vacuum.

International Petroleum. Company's operations center in Northern Peru where it owns some 650 square miles of oil lands, a 15,000-barrel refinery, storage tanks and a case and can factory. Company carries its fixed assets at a depreciated value in excess of $50,000,000. Oil production last year was 35,000,000 barrels. International Petroleum is controlled by Imperial Oil of Canada which in turn is controlled by Standard Oil (New Jersey).

International Telephone & Telegraph. Numbers among subsidiaries United River Plate Telephone Co., which operates over 300,000 telphones in Buenos Aires and adjacent territory. Other subsidiaries operate some 60,000 telephones in Chile, about 15,000

in Brazil, about 45,000 in Cuba and about 17,000 in Peru. Company also has a telephone business in Porto Rico and in Mexico, although the latter is not now considered a subsidiary. Through All America Cables and certain radio and telegraph subsidiaries, I. T. & T. is equipped for fast communication throughout Central America, the West Indies and South America. Roughly 36 per cent of the company's total investment is in South America. Like the similarly situated American & Foreign Power, International Telephone & Telegraph has had trouble in making remittances.

Kennecott Copper. Has an important South American subsidiary in the Braden Copper Co. operating at Sewell, Chile. Total copper production last year was roughly 917,000,000 pounds and of this 318,000,000 pounds came from the Chilean property.

Patino Mines & Enterprises. Stockholders' main asset are certain tin lode-mining lands in Bolivia. Company was hard hit by the war in the Chaco. This not only resulted in shortage of skilled labor, but Bolivian Government forced Patiño to turn over to it at a fixed rate of exchange a large proportion of the foreign exchange obtained for the tin production. Constant efforts are being made by the company with a view to reducing the proportion of the exchange which it must convert into bolivianos.

St. Joseph Lead. Owns an 86-per-cent interest in company operating lead, silver, zinc property in province of Jujuy, Argentine. In latest annual report it was said of Argentine property:—"The mine is now producing about 2,000 tons of lead concentrates a month and is gradually reducing the debt incurred for the construction of the plant. With the return of normal world conditions this property should be a substantial earner." The lead concentrates are handled in the smelter of the National Lead Co. at Barrangueras, Argentine.

Socony-Vacuum Oil. Together with the Texas Corp. has a joint ownership in the Barco concession covering 500,000 acres of land in Colombia. Has other concessions in its own right in this country and also in Venezuela. While Socony-Vacuum still needs to spend a great deal of money on the development of its South American properties, it may well become in time one of the largest producers in the southern continent.

South American Development. Is a miner of gold at Porto Bello, Ecuador. Government troops were reported recently to be in possession of the property owing to a controversy over the matter of profit-sharing. Later reports are to the effect that the trouble has been settled.

South American Gold & Platinum. Company's 1,760,000 shares of capital stock are listed on the New York Stock Exchange. Its business is dredging gold and platinum from alluvial deposits in Colombia. Company is hampered by the Government control exercised over the disposal of its precious metal production.

Standard Oil of California. Is the holder of large acreage in Mexico, Colombia and Venezuela. Standard Oil of California is among those companies whose property has been expropriated by Mexico. Having a vast acreage of proven oil lands in this country and in countries other than in Latin America, Standard Oil of California could well function without recourse to the Latin American holdings despite their being of great potential value.

Standard Oil (New Jersey). Directly and indirectly has enormous interests in Latin America. No single one is vital but taken together they are important to company's world-wide operations. There is producing acreage in Venezuela, Colombia, Peru, Mexico, Bolivia and the Argentine. Company is a veteran of encounters with Latin American nationalism. It is believed, for example, that the property of the Argentine subsidiaries will be taken over by the Government of that country although, in this case, the Government will pay for them at fair valuation.

Swift International. Meat packing and allied activities of this company center in the Argentine, although there are also plants in Uruguay, Brazil and elsewhere. In one sense this is an Argentine company, for it was there incorporated with a capital of gold pesos. The stock, however, is largely held in the United States, dividends are paid in American dollars and the stock is listed on the New York Stock Exchange.

Texas Corp. Together with Socony-Vacuum has a joint ownership in the Barco concession in Colombia. Last year $15,000,000 was raised for the purpose of constructing a pipeline from this concession to the seaboard. Additional large capital expenditures probably will be made in coming years.

United Fruit. This company's large interests in the Caribbean were covered in detail in the Magazine of Wall Street of March 12, last.

Vanadium Corp. Ferro-vanadium is by far the most important product for this company. It is made from ore obtained from the company's mine high up in the Peruvian Andes. This is the largest known deposit of vanadium in the world and reserves are sufficient for many decades of operation.

Wilson & Co. Has two packing plants in South America, one at Buenos Aires in the Argentine and the other at Sao Paulo in Brazil. It is not known to what extent they contribute to the company's earnings, although the proportion is not believed to be large.

Gendreau

Driving cattle aboard an Orinoco river boat in Venezuela.

Railroad Fate is Up to Congress

Rail Security Holders Should Demand Action to Preserve Their Investments

BY PIERCE H. FULTON

After innumerable conferences—setting up a hope that the Administration would devise remedial plans for dealing with the railroad crisis—the President has belatedly dumped the whole problem into the lap of Congress, without specific recommendation. Since Congress hopes to adjourn by May 16 and probably will not in any event sit later than mid-June, it is obvious that it will not have time to formulate remedial legislation either of emergency or fundamental character—even assuming that, unlike the President, it has any idea of what ought to be done.

Remedies Proposed for Consideration by Congress

Consolidate all the roads into one system, under private ownership, through exchange of securities.

Revision of the bankruptcy laws to speed reorganizations.

Forced consolidations to make a limited number of major, regional systems.

Forced pooling of rail revenues coupled with a further emergency increase in freight rates.

Federal financing of purchase of $300,000,000 of rail equipment.

More liberal R. F. C. rescue loans to needy roads.

Increased powers for the Interstate Commerce Commission.

Creation of a Federal Transportation Authority for co-ordinated regulation of all common carriers in interstate commerce.

In terms of prompt shoring up of crumbling railroad finances, the net result of the President's ruminations and of those of the Splawn-Eastman-Mahaffie committee—which he directed to formulate a solution—is almost nothing.

At bottom, the railroad problem is not complex. If numerous additional bankruptcies are to be avoided, revenues must be increased or operating expenses must be reduced. Neither the President nor his special committee nor the Interstate Commerce Commission as a whole have been able or willing to grapple realistically with either of these alternatives.

Wage rates now paid by the railroads—wage costs constituting nearly half of total costs—are 17 per cent higher than they were at the bottom of the 1929-1933 depression, and are also substantially higher than they were at the peak of the 1923-1929 boom. These wage rates are not only out of line with the existing level of rail traffic. They are out of line with prevailing wages in the great majority of industries. They can no more be defended—without throwing logic and equity out the window—than volume-killing wage rates in the building trades can be defended.

Yet Mr. Roosevelt, who has cautiously hinted that lower hourly wages in building would be in the national interest and in the longer interest of building labor itself, has openly and publicly taken his stand with the rail unions in opposing even temporary or emergency wage cuts in this field. And the Splawn-Eastman-Mahaffie committee neatly sidestepped this issue.

The theory that the purchasing power of the minority of workers who are members of powerful and politically-favored unions is a key factor in the economic cycle has been thoroughly exploded. The purchasing power of these organized groups was at a record high when the present depression began. It is at a record high now—at least as to those who still have jobs—but this fact will not bring a recovery one day nearer. The purchasing power of the railroads, in relation to their ability both to meet bond interest and to pay for materials and equipment, is far more important to our national economy right now than the purchasing power of rail employees.

Naturally, since the totally inadequate freight rate increase recently authorized by the Interstate Commerce Commission represents the last word on rates for some time to come, the carriers have no alternative but to insist on a substantial wage cut or, at the least, the withdrawal of the wholly unjustified wage increases—amounting to approximately $140,000,000 a year—which the unions, with the tacit help of the Roosevelt Administration, forced them to grant last year.

Negotiations looking to a wage reduction will require many weeks, and the outcome is beyond forecast. Meanwhile, with good will to all, the President has let it be known that he hopes the *(Please turn to page 63)*

Hollywood Watches the Dollars

Drive for Economy in Production Holds Promise for Movie Stocks

BY C. F. MORGAN

WHEN a noted physician some years since told a group of eminent financiers that at the moment a man felt himself in the most perfect health he was in the greatest danger, he but voiced a somewhat well known commercial axiom to the same general effect; an axiom which has stung the movie business as it has seldom been stung before. For, hard upon the very heels of the greatest prosperity the screen has known, has come a panic for economy that bids fair to become an industrial purge.

Confidentially, in more than twenty years I have never known the movie makers to so determinedly set about reducing costs. And by the same token I have never noted so hopeful a sign; a sign so indicative of stabilizing values. As noted in these columns on more than one or two occasions, the chain stores and the movies are the two greatest cash-and-carry enterprises of the land. Consequently they tend to lead certain consumption lines of investment, giving and taking variations with an elasticity that lends to activity and rebound. History has shown over many years that a nation in distress turns more eagerly to the anodyne of amusement, and the motion picture has been rewriting that particular page of history during most of the last decade.

On the day that these lines are written a new week, following the President's defeat in the matter of his reorganization bill, showed a sharp upturn in cinema stocks that was not borne out generally through the investment field. One of the reasons for a growing interest in the picture securities is that the manufacture and exhibition of film entertainment is gradually taking on the aspects of a regular branch of commerce and less of the similitude of a racket. The early picture men were but a step ahead of the circus and the carnival in the eyes of financial folk. There was wonder, disbelief and amazement when, in 1914, one Harry E. Aitken came out of Waukesha, Wisconsin—by way of Chicago and St. Louis—and went down into Wall Street to raise capital to make pictures. The fact that he actually got the money for the Mutual Film Corporation was as astounding to the film folk of that period as the discovery of radium was to the chemists of a decade or two earlier. When a little later he succeeded in using motion picture negative as collateral for a loan the shock was as great in the shadow of George Washington's statue as it was in the purlieus of Fort Lee where pictures were being knocked together. Twenty-three years have passed since then, and picture securities have steadily metamorphosed themselves from kinship with the dice and the roulette wheel into something that the conservative banker can justify himself for recommending to the widow and the orphan.

Leading Motion Picture Producers

Company	1938 Price Range High	1938 Price Range Low	Recent Price	Earnings Per Share 1936	Earnings Per Share 1937	Latest Div.
Paramount	12⅞	5¾	8	1.18	1.96	None
Twentieth Century-Fox	24	16⅛	20	3.77	4.12	0.50
Loew's	52⅞	33	40	6.73*	8.47*	0.50
Radio-Keith-Orpheum	5⅜	2⅛	3	NF	NF	None
Warner Bros	7¾	3¾	5	0.75*	1.48*	None
Columbia Pictures	15½	9	11	4.00†	3.26†	0.25

*—Year ended Aug. 31. NF—Not available; company in reorganization.
†—Year ended June 30.

Last August the picture houses of the country enjoyed a prosperity that amazed their owners and encouraged the film producers to greater and bigger efforts. Every studio—save one or two whose affairs are not yet written entirely in black ink—began to plan for super productions and then for "super-colossal" productions. Unfortunately just about then the shadow of coming events began to darken the portals of the theatres, and receipts began to fall off. By November there was a well-defined —er—recession in patronage. But MGM had under way "Conquest," which is said to have cost close to $3,000,000 and had "Marie Antoinette" on the stocks at a budgeted cost reported to be over $2,000,000. The Warners were embarked on "Robin Hood" with over $2,000,000 in outlay. Paramount had given Cecil De Mille its blessing for something quite close to $2,000,000 for "The Buccaneer," and so on down the line. In fact there had begun to arise grave question as to whether a studio could properly place itself among the majors unless it had at least two productions of million and a half calibre on the way.

Usually some one person detects the first wisp of

smoke betokening a blaze. And before last Christmas this gentleman arose at a meeting of producers and distributors in New York and emitted an outcry about costs which shook the walls of five new sound stages in Hollywood. Then and there the economy wave was on, and since then there has been a butchery of payrolls and an attempted slaughter of overhead which has rocked the cinema capital to its celluloid foundations.

Following all this came a change of policy, for you have seen the last for many a long day of those gallant gallopings toward the goal of artistry. No more "Midsummer Night's Dream"; nothing even approaching a "Strange Interlude"; not a single "Romeo and Juliet"; entire absence of great operatic stars. Definitely no more flirtings with the three or four per cent of the movie-going population who cry aloud for "better pictures." No, sir! From now on we're as practical as all get out, with a cautious eye on the box office and to hades with art for art's sake. Overnight the industry enlisted in the knock-'em-out-of-the-seats-with-sheer-entertainment-for-the-masses brigade.

Charles Phelps Cushing

The Great White Way, formerly the stronghold of the "legitimate" theatre has been taken over by the movies.

And a lot of directors are likely to suffer severe cases of shock. They will be the fellows who protect themselves by shooting every scene from every angle and every shade of expression to be sure that if the "producer" didn't like this shot he could have his pick of twenty others. A few weeks ago I asked the laboratory head of one of the big studios what average length of negative the fifty-odd pictures made on that lot would run to. He said that average would run to 275,000 feet! Think of it! Two hundred and seventy-five thousand feet of photography to insure getting 8,000 or 9,000 feet of picture. Of course not all studios run so wild as that but 125,000 feet is about the minimum.

April 9, last, Jack L. Warner, stepping aboard a Honolulu-bound ship, gave the old order of things a parting jab in the midriff.

"We're going to make pictures that are aimed at the box office and anybody else that wants to may whelp the fine flops," he said, "Pack them full of thrills; load them with entertainment and everything that drags a patron in off the street."

And when one considers that motion pictures are made for the people who want to spend up to 55 cents for entertainment and get it, Mr. Warner would seem to have expressed the forthcoming production policy in his usual sententious and epigrammatic manner.

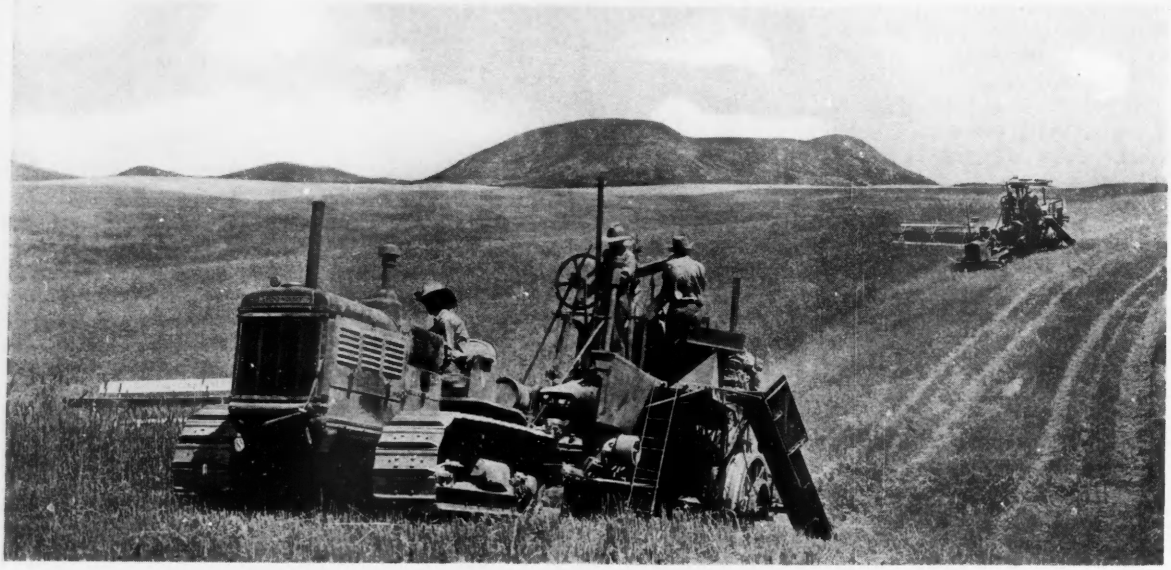
Now while economy is rampant it doesn't mean that everything is to be sacrificed to mere cheapness. After all, the old goose does lay golden eggs and has to have pretty good feed to do her ovariparous job. But the corners will be watched pretty closely. Some ten years ago this writer offered a recipe for cost reduction in picture making. It was simple in the extreme and met with great disfavor. It was merely a suggestion that before a camera was turned every page of the manuscript should be gone over with the men who were to do the actual making to see if every cost could be justified in terms of dollar return. Most studios are on that basis now—within the last three or four months.

There's a simple equation that works in with this plan. It is for the chairman of the committee or meeting or caucus or whatever to say:

"Now, gentlemen, this scene"—or sequence or feature as the case may be—"will cost $38,500 according to this budget. Let us multiply that modest sum by twelve. That will be—er—er—$462,000. Will this scene, etc., bring that many dollars into the box office, or will its absence hurt the picture by that amount lost at the box office?"

Perhaps the idea won't be expressed in just those words but the idea will be pushed over somehow. And suppose that each gentleman then present should be invited to append his O.K. to the said item, and that when the returns are in—say in forty-five or fifty weeks—that a check up should be made.

February 1st one major motion picture lot had on its payroll twenty-nine "producers." Now a producer is a sort of half-brother of the former "supervisor." He is a man who stands between the big boss of the studio and the director or directors. Theoretically he is supposed to look after three or four productions at once, keep the directors in line with the costs and the story, and generally do his best to help make a salable picture. But there were only thirty directors and the yearly schedule called for only fifty pictures, so it began to look as if the system had slipped (*Please turn to page* 61)



Farm Prospects Favor Harvester

BY J. C. CLIFFORD

MORE than a hundred years ago, when in his early twenties, Cyrus Hall McCormick invented a reaper. There were other reapers in existence at the time, but the essential difference between these others and the McCormick machine was that the latter worked. It was the McCormick reaper which laid the foundation of what today is the International Harvester Co., the biggest thing in agricultural implements and a force with which to reckon in certain other fields. The founder's blood is still active in the company, for the chairman is a son, Harold F. McCormick, while three other McCormicks appear on the board of directors.

For the fiscal year ended October 31, last, International Harvester reported total sales of $352,000,000 from which it derived a net income after adjustments of $32,493,000. This, after allowing for dividends on the preferred stock, was equivalent to $6.31 a share of common stock and compared with earnings equal to $5.77 a share of common for the 1936 fiscal period—a period which covered twelve months' sales in the Southern Hemisphere and eleven months' sales in all other places.

Now, no company ever did a business of this size without encountering plenty of competition, and because it is often easier to grasp the position of an enterprise from the eyes of those that oppose it, let us glance at the companies with which Harvester wages a never-ending struggle. It is to be understood that there is nothing quite comparable to the General Motors-Chrysler relationship in this struggle. That is to say, Harvester has no big rival which it must face on every sector. Rather, it is that Harvester must meet specialized competition from one or more companies in each major division of its business.

Last year, tractors constituted the most important single item for International Harvester. Domestic sales of these machines, including motors converted to stationary use, amounted to $89,318,000. So far as heavy tractors are concerned, this volume of business was obtained in the face of the fiercest kind of competition from machines manufactured by Caterpillar Tractor and J. I. Case, while Allis-Chalmers, Deere and Oliver Farm Equipment were among the rival companies contending most keenly for business in the lighter field.

A clue to the size and position of International Harvester is to be gleaned from the following: Caterpillar Tractor's sales last year totaled $63,200,000 and in addition to tractors this included a wide variety of road machinery and other equipment—while J. I. Case publishes no sales figures, it probably had a volume of about $50,000,000 last year, including a general line of farm implements—Deere's sales, which moved just beyond the $100,000,000-mark for the year to October 31, last, consisted more of plows, cultivators, binders and pickers than tractors—Oliver Farm Equipment, with sales of $27,000,000 last year, is a specialist in tilling implements—and, finally, although Allis-Chalmers is enjoying

a remarkable success with its light rubber-tired tractor, a large part of this company's sales of $87,400,000 in 1937 consisted of electric motors and miscellaneous heavy industrial equipment.

Thus it will be seen that although International Harvester's domestic tractor sales constitute but 25 per cent of total sales, there is only one competitor whose whole business exceeds this one division. But before leaving the subject of tractors it is to be noted that the competition, already keen, is increasing rather than decreasing. There is the new light-weight tractor which Graham-Paige is building and Sears, Roebuck marketing. Moreover, it was announced not long ago that Ford would again enter the field. Just after the World War, Ford started making and selling tractors and before long was far past Harvester in volume, but this was only being achieved at a tremendous loss and, by 1928, the pace had become so hot that he retired, leaving Harvester in undisputed possession of the market. Nevertheless, that Ford is about to try again is news of the greatest import, for Ford is a notoriously hard man to fight and because he was beaten once it by no means follows that he will be beaten a second time.

From the standpoint of sales, trucks made up the second most important division of International Harvester's business last year. Here, the company competes virtually with every other manufacturer in the field. That it competes successfully may be seen from the 76,000 "International" commercial cars which were registered in the United States last year: the only names registered in greater quantities were Ford and Chevrolet. Aside from Dodge, whose registrations reached 64,000 in 1937, no other manufacturer made a showing that even approached the one made by International Harvester.

Sales of agricultural implements, including spare parts, added $75,600,000, or very nearly as much as trucks, to Harvester's gross revenues last year. Mention has been made already of some of the companies which are competitors in this field. Deere is the most important and probably sells certain items in greater quantity even than Harvester itself—plows, for example. Oliver Farm Equipment, as has been said, is a specialist in tilling implements and in all likelihood obtains as much of this particular business in relation to its size as any of the other agricultural equipment companies. Then there is Case, cited previously as a manufacturer of tractors, which makes a considerable quantity of other machinery for the farm.

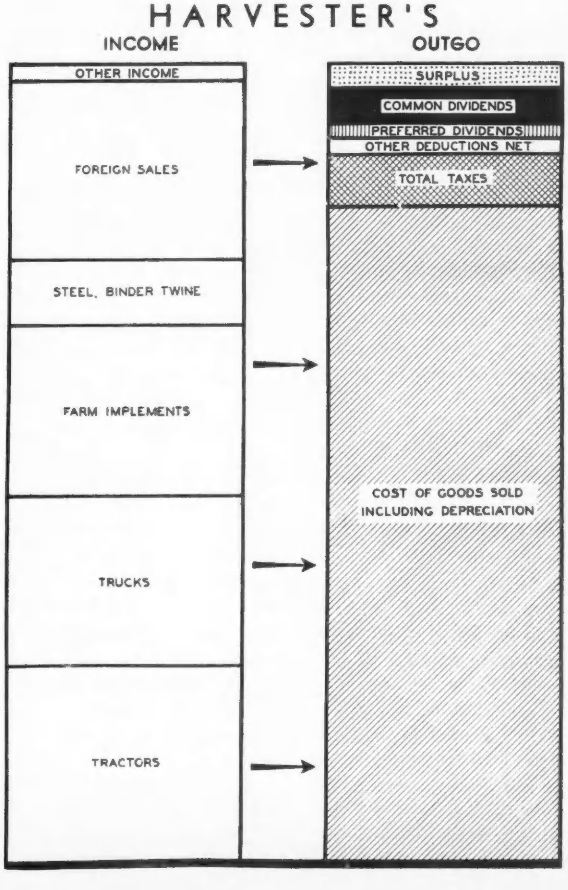
With a sales volume in excess of $29,000,000 miscellaneous products, including steel and binder twine, constitute the fourth important division of International Harvester's business. It is not strange that a company making as much steel machinery as this one should make also its own steel. As a matter of fact, Harvester not only does this, but mines its own ore in Minnesota and its own coal in Kentucky. It is, however, somewhat remarkable that a company classified as a maker of agricultural implements should have a steel capacity sufficiently in excess of its own needs to enable it to sell considerable quantities of steel as such. But, while this is true, it should be noted that Harvester makes only certain types of steel and buys as much, or more, of other types from outside interests.

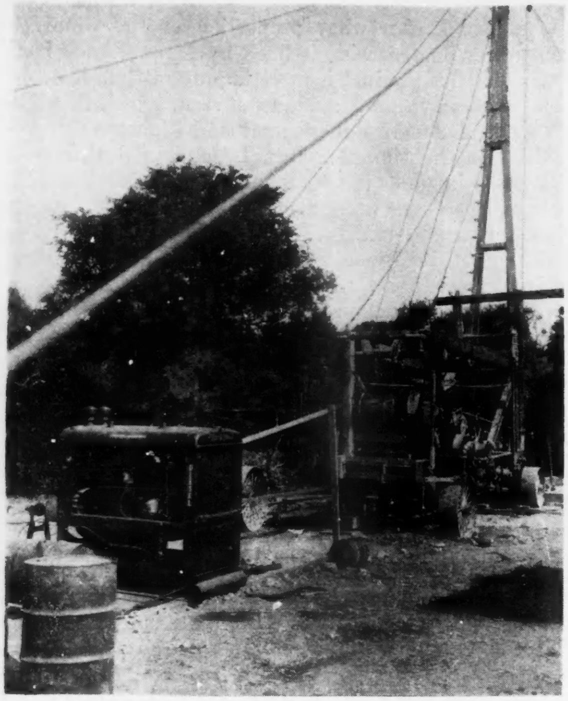
It is not known what proportion of the country's demand for binder twine is filled by International Harvester, but this product is more important than it might seem. Binder twine is made from sisal, grown throughout Central America in general and Yucatan in particular. In the United States, International Harvester operates twine mills in Chicago and also in New Orleans. Abroad, there are mills at Hamilton, Ontario, and in France, Germany and Sweden.

Foreign business is exceedingly important to the International Harvester Co. In the last fiscal year, foreign sales of all products reached a huge total of nearly $82,000,000, or approximately 23 per cent of all sales. There are distributing centers in almost every country in the world and the foreign farmer is made aware that the business does not end with the sale, for stocks of spare parts are maintained and facilities are available for service at moderate cost.

The enormous scope of International Harvester's operations is a definite advantage. Farming is a notoriously precarious means of livelihood and any company which depends upon the prosperity of the farmer for its existence needs every bit of stability that can be obtained from diversification. International Harvester's business rests on a broader base than any other farm equipment company in the world and, while this by no means frees it of serious fluctuations in activity and earning power, it does make for a greater stability than is enjoyed by the majority in the field.

One of the peculiarities of the farm equipment busi-





An International Diesel unit powers an oil well spudder rig.

ness is that one must sell expensive pieces of machinery on liberal credit terms with the full realization that the people to whom it is sold may be unable to maintain their payments through no fault of their own. This means that the successful maker of farm equipment has to be strong financially—strong to be able to carry the necessary receivables in the first place and still stronger to absorb the losses which are inevitable in the circumstances. The balance sheet of International Harvester as of October 31, last, showed receivables of $142,000,000, against which there had been set up $23,500,000 as a reserve against possible losses.

Mention of the reserve against possible loss in receivables serves to introduce certain other reserves which International Harvester has set up—a subject which will show the company to keep its books with a conservatism bordering at times on pessimism. Every time this company has a good year its instinct is to set up reserves of various kinds. Perhaps the most interesting of these is the "inventory reserve." We do not know when this originated, but during the prosperous years of the twenties it grew steadily without the stockholders being aware of its existence. They first heard of it in 1929, when they were told that in the opinion of the management it was then adequate for the safety of the business. In 1931, $11,000,000 and in each of the years 1932 and 1933, $10,000,000 was released from the inventory reserve to income and so helped the company to modify a poor showing through the worst years of depression. In the fiscal year which has just ended, International Harvester deducted $7,500,000 from income and credited it to the inventory reserve account. The latter now stands at $30,000,000, or more than 16 per cent of the total inventory. Although this account has been larger in the past, nevertheless $30,000,000 is a very respectable sum on which to draw at will should the present depression be prolonged.

Rather obviously, Harvester's largest reserve is one set up for plant depreciation. Property is carried at a gross value of $211,300,000, against which there is a reserve for depreciation of $101,400,000, giving a net figure of $109,900,000 for the property account. Here again one finds evidence of the conservatism with which results for prosperous years are treated, for when business is active a special depreciation charge is made for the increased use of machinery and equipment.

Nor does this complete the matter of International Harvester's reserves. There is a "special maintenance reserve" of $12,500,000 which has been set up for relining blast furnaces, for maintaining docks and harbors and for other renewals and replacements. There is a reserve in excess of $2,000,000 for "development and extension" which is supposed to cover engineering research for the purpose of improving the efficiency of farm operations: it is to be noted, however, that expenditures for this purpose during the last fiscal year were charged directly to operating expenses. Then there is a reserve of more than $6,000,000 for fire insurance, for the company itself carries a certain proportion of its fire risk. Finally, there is a reserve of $13,500,000 for "foreign losses and exchange fluctuations."

In one sense, of course, all these reserves are no more than bookkeeping items. To be true reserves the deductions from income with which they were set up would have to be invested in, say, United States Government bonds and in this case the asset side of the balance sheet would show reserve items corresponding exactly with those on the liability side. This, however, is not the usual American practice: rather it is customary to permit the reserve to appear as an increase in liquid working capital. If this is done and then working capital is

An electric flash welder used in tractor manufacturing.

dissipated by the payment of unearned dividends, or is employed for capital improvements, reserves on the liability side of a company's balance sheet become meaningless, for funds are not available for carrying out their purposes.

Now, in the case of International Harvester, dividends which were not earned were distributed in the years 1931, 1932, 1933 and 1934. As a result, net working capital was reduced some $22,000,000 between the end of 1930 and the end of 1934. Owing, however, to an extremely conservative dividend policy in years prior to 1930, this reduction was of no major significance and today working capital, now in the neighborhood of $250,000,000, is the highest in the company's history.

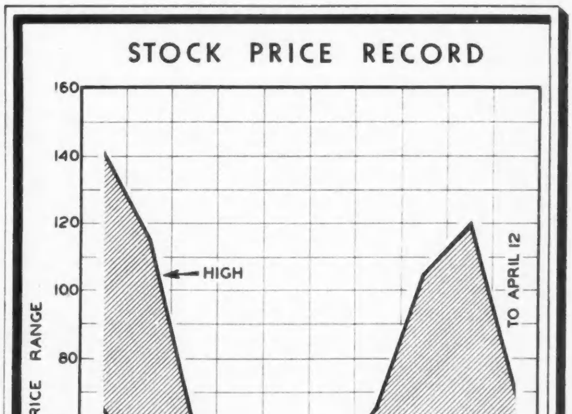
International Harvester's position is the more impressive because no money is being borrowed, either on short term from banks, or on long term from bondholders. The sole owners of the business are those who hold the 4,245,737 shares of common stock which is of no par value, the only other claim of a capital nature being 816,724 shares of 7 per cent cumulative preferred stock which is of $100 par value. This preferred sells at about 142 and is regarded as a high grade investment issue yielding just under 5 per cent.


International builds many sizes and types of trucks for use in various industries.

Having seen that the International Harvester Co. is admirably situated to supply the farmer with equipment and make a profit for its stockholders in doing so, the final point of major importance has to do with the farmers' position to buy. Now, not even the most optimistic believes that the farmer will have as much to spend this year as he had in 1937, but he will have more relatively than workers in urban areas. Farm income has been adversely affected by a year of declining prices, although there is a potent offsetting force in the greater quantity of products which the farmer has to sell. During January and February prices on the average were about 23 per cent lower than in the corresponding months of last year, but farm income is estimated to have been only 7 per cent lower.

One interested in the International Harvester Co. undoubtedly would find very helpful reasonably accurate estimates of farm income for the balance of the year. So much depends upon fall prices, however, that this is impractical, and the end of June is about as far as one can look with a valid hope of being correct. Income from marketings in the first six months of 1938 probably will be about $3,000,000,000, to which must be added benefit payments from the Federal Government substantially in excess of $500,000,000. A total income of, say, $3,550,000,000 in the first six months of this year would compare with a total income of $3,850,000,000 in the first half of 1937, or a decline of less than 8 per cent. The difference may be even smaller than this, for $130,000,000 is due cotton growers on last year's operations and it is possible that part of this money will be distributed prior to June 30.

In any event, the probability that the farmer's income will hold up within 8 per cent of last year would indicate that the manufacturer of agricultural equipment could expect his business to be relatively well maintained. Certainly, the common stock of the International Harvester Co., which can be *(Please turn to page 64)*



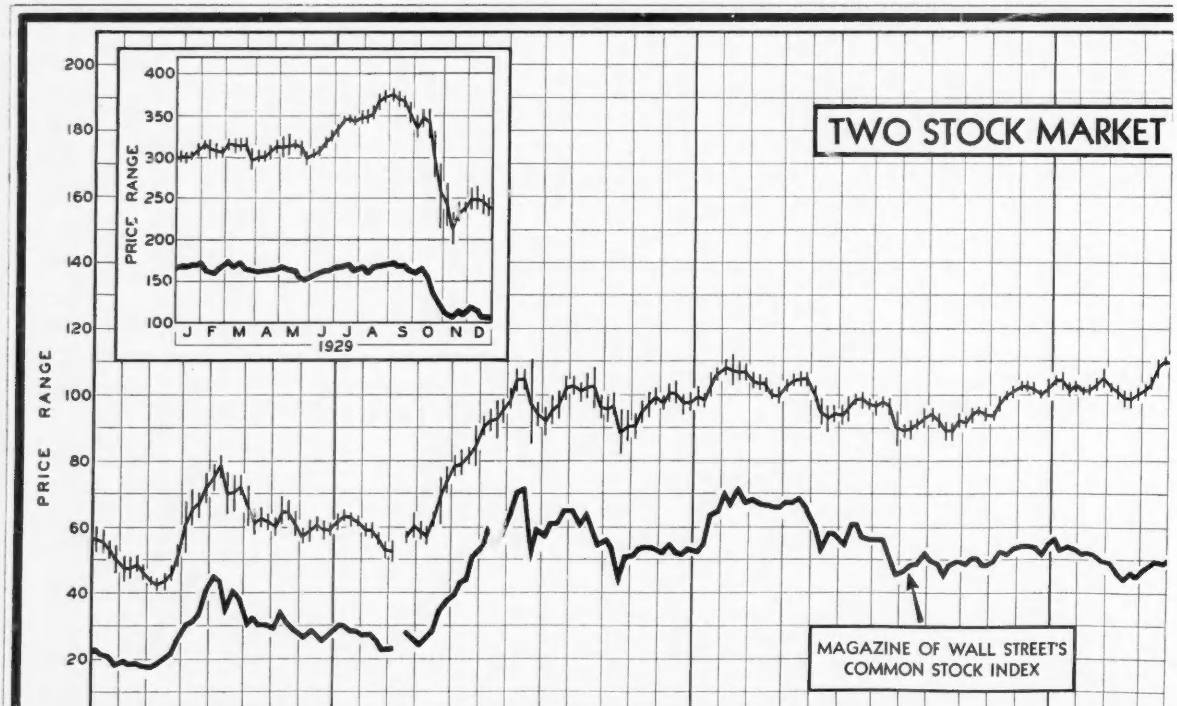
Interpreting Market Averages for Future Trend

BY JOHN DURAND

If The Magazine of Wall Street Common Stock Price Index did nothing more than present a comprehensive picture of the market as a whole and the complex price movements of its 42 industrial sub-groups, it would fully justify the considerable amount of labor and expense involved in its computation and publication. As a matter of fact though, there are a number of other practical uses which the Index may be made to serve.

There is, for example, a barometric quality in its broader movements which interprets the forthcoming trend of business. It will be noticed in the chart of the stock market and per capita business activity, published in the stock market article of each issue (page 9 of this issue), that the decline in stock prices preceded the business recession by several months; and that market stabilization preceded the subsequent flattening out in the curve of business activity by several weeks. It is, of course, too broad an assumption from the brief decline in the Stock Index during the past few weeks that business is inevitably headed lower, but if this trend in the market continues longer, that will be the undeniable implication.

Another important use of the M.W.S. Index is in the determination of groups that are lagging behind or running ahead of the general market; and especially what stocks are out of line with their groups. This is a well tested method for detecting bargains in issues which have not yet come forward or those which are unwarrantedly high. Naturally, the procedure is not complete in itself, but it at least brings into prominence issues worth examining to determine why they are out of step with the trend of their groups.



Finally there is another, and hitherto unpublished, use of the Index as a guide to approaching changes in the main trend of the stock market itself. For this purpose it is necessary to compare the M.W.S. Index with the movements in one or more of the several other well known indexes or averages which are based on the market leaders and make no pretense of representing the market as a whole.

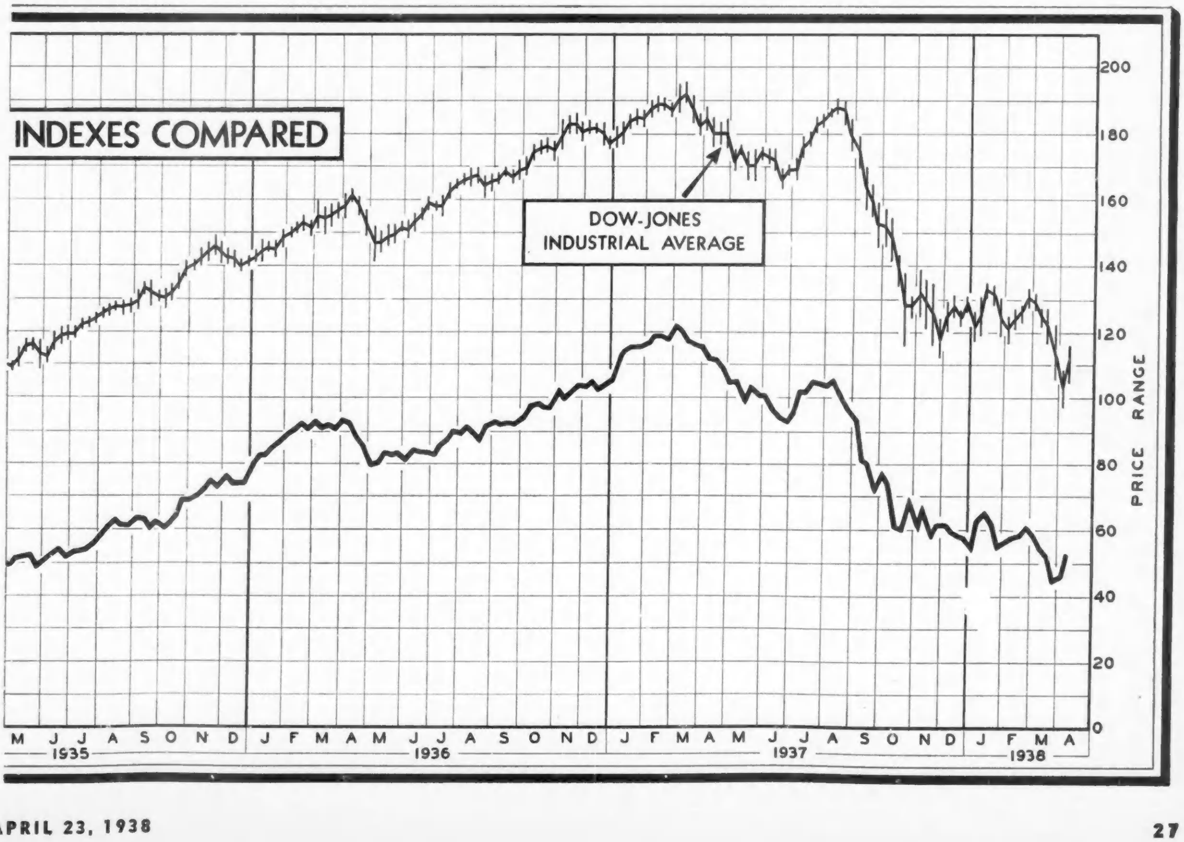
In order to understand the contrasting behavior of our own weekly Price Index at the tops and bottoms of intermediate swings, when compared with other price indexes, it will help to recall that its component issues include all of the more active common stocks listed on the Big Board, whose aggregate sales last year amounted to more than 80 per cent of total transactions in all listed common stocks; that the Index is compensated for all stock dividends and split-ups of 10 per cent or over; and that issues are not weighted for number of shares outstanding. For these reasons, the Index presents a true cross section of the stock market in which all stocks, regardless of price or rating, are of equal influence. Practically all of the daily indexes, on the other hand, are composed of a much fewer number of stocks—mostly of comparatively high grade and high market price (the so-called "quality" stocks); and so take little or no cognizance of the movements in low priced and lower grade issues of which the market is at present largely composed. Because lower grade stocks are now greatly in the majority, and because the higher grade issues represent only a small section of the market, it follows that the M.W.S. Index is especially sensitive to price fluctuations in the lower priced stocks; whereas indexes or averages of a comparatively few issues reflect the movements only of the better grade securities.

Price Index or Average	1929 High	1932 Low	1937 High	1938 Low
MAGAZINE OF WALL STREET...	182	18	128	47
Standard Statistics (347)......	175	25	127	59
N. Y. S. E. (all listed)	176	24	92	45
N. Y. Tribune (100)...........	148	52	92	64
N. Y. Times (50)..............	180	20	83	40
Dow-Jones (30 Indus.).........	181	19	92	46

By way of introduction to this new method of forecasting the stock market through its own action we present the accompanying skeleton tabulation comparing the main swings in the stock market from 1929 to date as recorded by various well known indexes or averages. To make the table more quickly comprehensible, we have reduced each of the indexes and averages to a common basis by taking as 100 the mid-point between the 1929 high and the 1932 low.

With exception of the 1937 high it will be noted that there is a surprisingly close agreement among the various indexes in the broader price swings, in spite of the widely differing methods of computing and great contrasts in the number and character of stocks included in these indexes. The one outstanding dissenter is the New York Tribune index, which is much less sensitive than the others, owing probably to the less speculative character of stocks included.

When it comes to the shorter price fluctuations, however, one finds significant divergences between one index and another that sometimes (*Please turn to page* 60)



Why Machine Tool Makers Are Active

Diverging Trends Apparent in Nearby, Intermediate and Longer Term Outlook

BY WARD GATES

BECAUSE of record high backlogs of orders built up last year, first quarter earnings of most makers of machine tools and machinery will make a fairly respectable showing. They will average substantially lower than a year ago, of course, but will not reflect the full impact of current reduced demand for capital goods.

Because of accumulated obsolescence in machinery and machine tools and pressure for cutting unit labor costs, the long term outlook for leading manufacturers in these fields remains highly favorable.

Because of paucity of current orders, only a prompt and vigorous revival in general industrial activity can prevent a decidedly unfavorable showing in second and third quarter profits — despite prospect of unusually heavy re-tooling program in the motor industry and despite probability that foreign demand will show considerably less slump over the near term than domestic demand.

All of which amounts to saying that the immediate and long term prospects appear brighter than the intermediate prospect. Thus far, the index of machine tool orders—relative to 1923-1925 base period—has held up better than the index of general business activity. This is an unusual, and probably temporary, reversal of the normal relationship, for the industry is in the "prince and pauper" class and for that reason has always experienced broader cyclical fluctuations in volume than has total business activity. Even should economic recovery lag during the next six months, however, it seems improbable that machine tool activity will fall to the extreme depths reached in the 1929-1933 depression, since the outlook is relatively favorable for foreign sales and sales to the motor and motor parts manufacturers. The automotive field usually absorbs upward of 20 per cent of total machine tool production. Last year foreign business amounted to from 10 per cent to as much as 40 per cent of the output of leading manufacturers, varying greatly from company to company.

Both in depression and recovery the longest lag in cyclical fluctuations is experienced by makers of heavy machinery which requires extended time for manufacture and delivery. Assuming protracted depression, earnings of such heavy machinery and mill manufacturers as Mesta Machine and United Engineering & Foundry Co. would be hit much worse in 1939 than in the present year; and should a broad recovery begin some time this year these two companies might escape any very serious consequences from the New Deal depression. Present bookings are sufficient for both to assure substantial earning power for 1938, even though new business has, of course, fallen sharply and the steel industry's program of plant expansion and modernization has undoubtedly passed its peak for some time to come. Foster-Wheeler Corp., manufacturer of oil refinery and boiler room equipment, was just getting started on recovery toward the close of 1937, with the result that it began 1938 with bookings of $10,492,000 or some 33 per cent more orders than at the start of last year. During the first two months of this year the company booked $4,800,000 of orders or about $1,600,000 more than in same period a year ago.

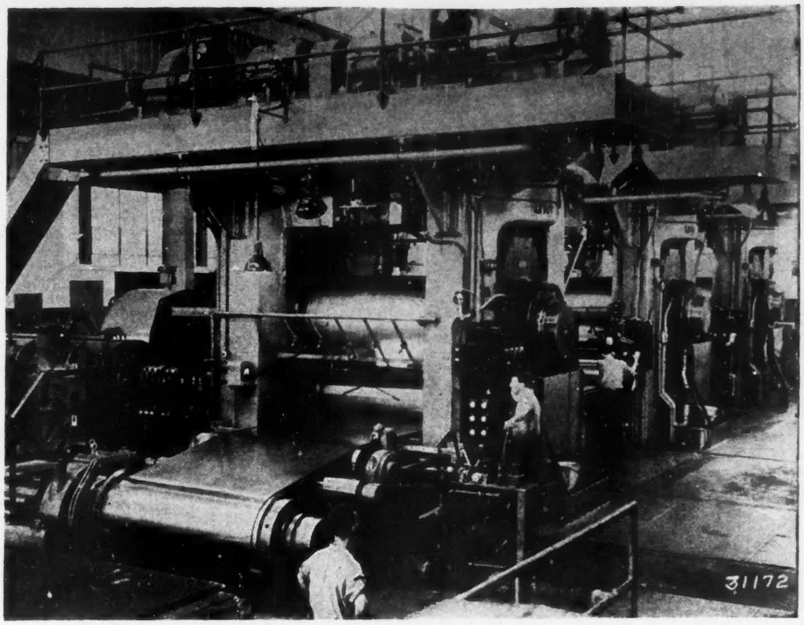
Important Makers of Machinery and Machine Tools

	1937 Net	1937 High	Current Price
Food Machinery	$3.80	$58	$24
Niles-Bement-Pond	7.46	62	31
National Acme	2.85	24	10
Fairbanks, Morse	3.45	71⅞	25
Bullard Company	3.19	45¼	16
Chicago Pneumatic Tool	2.26	33	10
E. W. Bliss Co.	1.93	8¼	7
Ex-Cell-O Corp.	1.69	27⅝	11¾
National Supply	5.10	26¼	18
Foster Wheeler	Def	54½	14¾
Link-Belt Co.	4.47	63	36
Me ta Machine	4.67	72¼	34
United Engineering & Fndry.	4.86	63	28½

In lighter machinery, requiring relatively short periods of time for manufacture and delivery, bookings of domestic orders in most instances have nearly run off, and foreign bookings are being eaten into. A few companies, including Niles-Bement-Pond and Bullard, are understood to have enough business on hand to assure profitable operations for at least the first half of this year.

Catering to relatively stable industries, such machinery makers as Food Machinery Corp., American Machine & Foundry and United Shoe Machinery Corp. may be expected to fare better than the machinery industry as a whole this year, especially since all three derive important revenues from leasing of equipment.

While there is undoubtedly a bright long term outlook for leading makers of Diesel engines — including Caterpillar Tractor, Fairbanks, Morse and others — demand for Diesel equipment is no more depression-resistant than that of capital goods generally. Thanks to the monthly sales and earnings reports issued by Caterpillar Tractor, we have fairly recent data as to the trend of orders in this field. This company's sales in February were approximately 41 per cent down from a year ago; and, reflecting impact of declining volume upon increased operating costs of recent years, net income was down to $124,709 for the month, as compared with $828,182 in February, 1937. This is probably indicative of current trend of business for majority of companies making equipment or machinery.



Cold reduction mill made by United Engineering for American Rolling Mill Co.

Among the major industries, the oil industry will probably show the smallest decline in capital expenditures this year, as compared with 1937. Drilling operations are running ahead of a year ago, and scheduled outlays for improvement of refineries are reported at around 80 per cent of 1937 programs. Because it is heavily dependent on oil drilling activity, National Supply will be the outstanding beneficiary of the petroleum industry's capital outlays this year. Byron Jackson Co. will also be helped. With more diversified outlets, such manufacturers as Worthington Pump and Cooper-Bessemer will be helped relatively less by oil company expenditures.

It is to be doubted that capital expenditures by the electric utilities this year will exceed $300,000,000, as compared with approximately $450,000,000 in 1937. From present indications such expenditures in the motor industry will be at least 50 per cent lower than a year ago, exclusive of regular outlays for tools and dies incident to change in models. The latter outlays usually average some $50,000,000 a year but are expected to approximate $65,000,000 this year because changes in models will be more extensive than in several years. By no means all of this sum represents potential business for machine tool makers. Part of it will go for dies and a substantial sum will represent work done in the motor companies' own die and machine shops. Machine tool makers importantly dependent on the motor industry include Bullard Co., National Acme, Niles-Bement-Pond, Sundstrand Machine Tool and Ex-Cell-O Corp.

Capital expenditures by the chemical industry this year will be moderately lower than in 1937 but will not bulk large in business of machinery and machine tool makers. The textile industry, large user of machinery, is pinching pennies right now and probably will continue to do so for at least some months to come. The railroads normally represent about 7 per cent of the market for metal-working machinery, and the outlook for rail spending beyond minimum needs is rather dark at present. The steel industry is expected to spend no more than $150,000,000 on plant programs this year, or less than half of the 1938 outlay.

Last year foreign business accounted for approximately 31 per cent of the volume of the American machine tool industry. This percentage is much higher now, not because dollar volume of machine tool exports is increasing but because domestic sales have fallen much more sharply than foreign sales. The frantic armament building in leading countries, especially Great Britain, will continue directly and indirectly to sustain a substantial volume of machinery and machine tool exports, but this will not fully offset effects of declining business activity in Britain and elsewhere in Europe. Even with the armament demand, and reduced competition from British and German manufacturers of machinery, our exports of industrial machinery and machine tools last year amounted to only 93 per cent of the 1929 total. While the end of the armaments race is not in sight, from a strictly long term viewpoint its benefit to American machinery makers must be considered temporary.

Our own expanded naval and merchant marine programs will involve some business for machine tool makers, but this is a drop in the bucket as compared with normal industrial markets of most such manufacturers.

From a long term viewpoint, some argue that as our country approaches economic maturity future rate of mechanization will be less rapid than in the past. Certainly secular growth has either ended or flattened out in such fields as the railroads, construction and automobiles. It is never possible, however, for one generation to foresee the next generation's new industries or the technological progress which may involve vast capital outlays by older industries. Moreover, there is no question but that cumulative obsolescence has built up a tremendous potential market for machinery and machine tools. More than 60 per cent of the machine tools now in use are more than ten years old. A much larger percentage of heavy machinery *(Please turn to page 62)*

The Investment Clinic

Investors' Problems Which Are of General Interest

CONDUCTED BY J. S. WILLIAMS

Should "Telephone" Be Switched?

Judging from the number of inquiries on the subject, the future of American Telephone dividends and earnings continues to be a cause of worry to many investors. One letter states the problem very clearly. "*Your article on the company (American Telephone) last December gave me a pretty definite idea of what they are up against, but even though the stock was then above 150 I thought a better selling opportunity would come along soon. Also, I had made up my mind that the income must be fully replaced by any switch. I am less positive on both points now, and would appreciate your present thoughts on the matter—whether now is the time to do anything about it, or whether, considering what may be ahead of the market, I might not better hold my Telephone even if the dividend should be reduced.*"

There are several problems here. First, is the Telephone dividend in danger? The answer, in our opinion, is yes. Although the system enjoyed a record-breaking station gain in 1937, with 876,000 stations added, against 821,000 in 1929, and although gross revenues were only about $15 millions below the 1929 level, earnings were close to $35 millions lower. The dividend was covered last year, with 76 cents to spare, but this was slightly below the 1936 result. Since the turn of the year have come reports that while stations continue to gain at a reduced pace, long lines revenue has fallen so that the parent company's net income for February was only $73,711, as compared with $873,149 a year ago. Earnings of the company on a consolidated basis amounted to $1.94 per share in the three months ended February 28, as compared with $2.87 in the same period a year earlier.

The one-man proposal for a 25 per cent rate cut and the ultimate segregation of Western Electric may be disregarded in this discussion, which is based upon the more predictable aspects of the case. As far as rates go, it is safe to say that they will not be higher a year from now than they are today. Materials may cost less and wages too may possibly be pared, but that other important item, taxes, will hardly become less burdensome. The result of a lower volume of business is therefore almost inevitably destined to show in the net income column, even if depreciation charges are reduced. As for paying the dividends when not fully earned, this policy must have its limits, and the fact that consolidated surplus was over $400 millions in 1932 and is about $250 millions now will have a bearing upon the decision.

If the dividend is of questionable safety, there still remain the questions of when a switch should be made, and to what other issues. Even a $6 or $7 dividend rate would allow a generous yield on the present price of the stock. Meanwhile, if business should continue to slump there is the possibility that other issues purchased in Telephone's place might suffer more severely. A switch from American Telephone into a high-grade industrial therefore involves coming to the conclusion not only that the long-term factors affecting the company are negative, but that the industrial background is not likely to deteriorate greatly from this point. Otherwise, a thought should be given to the advisability of postponing any action until proof of recovering business.

Any investor convinced on this last point would have little hesitancy in making some such switch as the one suggested below. Dividends are stated on the basis of 1937 payments, and it will be noted that an immediate reduction in income results, without any allowance for the generally lower scale of dividends to be expected this year.

Switch—	*Value*	*Income*
100 American Telephone	$12,800	$900.00
to—		
50 Eastman Kodak	7,100	375.00
50 International Nickel	2,300	112.50
50 Union Carbide	3,300	160.00
	$12,700	$647.50

A more conservative list to be substituted for one hundred shares of American Telephone:

	Value	*Income*
50 Sterling Products	$2,800	$210.00
50 American Chicle	4,800	350.00
50 American Snuff	2,400	150.00
50 General Mills	2,700	150.00
	$12,700	$860.00

Other issues which might well be considered for this purpose include Beech-Nut Packing, Monsanto Chemical, United Fruit, Sun Oil, and a number of preferred stocks of various grades, some of which are discussed later in this article.

Two Investors' Problems

Two lists recently submitted to the Clinic for criticism and suggestions afford nearly ideal demonstrations of what the investor should not do. Although the types of issues chosen for the two portfolios are in marked contrast, it happens that both investors have very much the same objectives. Briefly, the current need is for a modest income, with a minimum as low as $2\frac{1}{2}\%$, but this return must be absolutely dependable, in one case as an indispensable supplement to another source of income and in the other case as the principal support. The longer term objective is growth of capital with the least possible risk—which is not a unique goal, of course.

But the larger investor has divided the bulk of his commitments between medium to lower-grade bonds and a somewhat better class of common stocks, so that figuring 1937 dividend and interest payments on today's prices he has an apparent yield of over 11%, while the other is receiving less than 5% figured on the same basis. One list is considerably over and the other is under $100,000, but both have been adjusted to that figure for the sake of easy comparison. The groups in the larger portfolio are as follows:

	Market Value	1937 Income
Bonds		
Grade A	$1,020	$45.00
Grade B	1[illegible],250	1,555.00
Grade C and lower, mainly rails	26,980	3,775.00
Common Stocks		
Oils	8,465	562.50
Motors	12,825	2,380.00
Chemicals	3,825	290.00
Metals	3,750	260.00
Utilities	8,475	565.00
Rails	5,180	627.00
Miscellaneous, mainly specialties	11,230	1,088.00
Totals	$100,000	$11,147.50

The owner of this portfolio remarks that he is quite safe from an income standpoint, since his minimum requirements would be exceeded even if the return should drop to one-quarter of its present level. Then he goes on to argue that with most of his holdings selling within striking distance of half their 1937 highs, he is entitled to expect 100% capital appreciation in a recovery movement from this point.

The fact is that while both capital and income may behave as hoped, less than $1,500 of the latter can be considered invulnerable, and the assumption that the issues in this portfolio will duplicate their former highs in the next recovery period is an unsound one in a great many cases. Some of the poorer rail bonds have already ceased interest payments and most of the common stocks have either reduced or omitted dividends.

Before making suggestions, however, the second portfolio will be considered. Here there are no bonds at all and the owner of the list explains his prejudice against them and in favor of preferred stocks. The argument is an interesting one, but rather than discuss it here, alternatives will be proposed in any recommendations made.

Although the apparent yield of this portfolio is less than half that of the one tabulated earlier, the dependable income is very little lower. Most of the poorer utility preferred stocks have already ceased payments, so that as far as yield goes a larger proportion of the bad news is visible in this list:

	Market Value	1937 Income
Preferred Stocks		
High-grade industrial	$12,850	$607.00
Medium-grade industrial	5,675	485.00
Medium-grade utility	4,815	370.00
Low-grade utility	31,840	712.00
Common Stocks		
Metals	4,875	320.00
Steel	4,570	305.00
Aircraft	14,780	337.00
Utilities	5,337	345.00
Rails	8,190	795.00
Miscellaneous, mainly specialties	7,068	715.00
Totals	$100,000	$4,991.00

The list proposed below takes into consideration the possibility that the current slump in business will go further, and sets aside one-fifth of the principal as provision for such a contingency, investing it in two bond issues and two preferred stocks, all high-grade. Two speculative preferred stocks are then added, and the remainder of the fund is devoted to industrial common stocks of varying grade and return. The actual payments on these stocks at the bottom of the last depression are also shown.

		Market Value	1937 Income	1932 Income
$5,000	Texas Corp. $3\frac{1}{2}\%$ 1951	$5,225	$175	
5,000	Dow Chemical 3% 1951	5,125	150	
40 shares	Corn Products Refining pfd.	6,480	280	
20 "	American Can pfd.	3,200	140	
100 "	Radio Corp. pfd. (conv.)	4,000	350	
40 "	Holland Furnace pfd. (conv.)	4,000	200	
100 "	DuPont	10,200	625	$275.00
100 "	International Harvester	6,200	400	182.50
200 "	International Nickel	9,400	450	—
100 "	Eastman Kodak	14,200	750	525.00
100 "	Union Carbide	6,600	320	175.00
100 "	Bethlehem Steel	4,800	500	50.00
200 "	Food Machinery	4,200	775	—
200 "	Texas Gulf Sulphur	6,000	550	400.00
200 "	American Radiator	2,400	120	20.00
100 "	Douglas Aircraft	3,900	—	87.50
100 "	U. S. Rubber	2,600	—	—
200 "	International Telephone	1,400	—	—
	Totals	$99,930	$5,785	$1,715.00

The income from bonds and preferred stocks amounts to $1,295 and another $1,500 may be considered certain on the basis of 1932 dividend payments. In addition, the presence of the strong issues will supply a backlog in case of unexpected needs for cash, or in case it should be found desirable to switch at a later date into speculative bargains. As a substitute for the bonds, Mr. S. may prefer to carry several very well-placed senior stocks. In addition to those mentioned elsewhere, he might choose among the preferred issues of American Tobacco, Eastman Kodak, Westinghouse Electric (participating), International Nickel, National Lead, and Liggett & Myers. It would be wise, however, to avoid heavy concentration by owning only either preferred or common stock in any one company.

Preferreds for Income and Safety

It has often been pointed out that a preferred stock in a very strong position selling on a low yield basis has the weakness in common with good bonds of being vulnerable to a rising trend (*Please turn to page 62*)

Curtiss-Wright Widens Profit Margin

Class "A" Stock Offers Interesting Possibilities

BY NORMAN DIEHLE

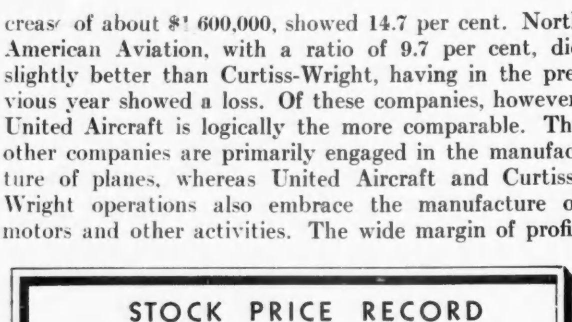
As the earnings reports for the first quarter became available, it is certain that the showing of leading aircraft manufacturers will stand out in marked contrast to what otherwise promises to be a rather drab display on the part of many representative industrial organizations. In fact the outlook for all of 1938 for the aircraft industry is virtually unmatched by that of any other major industry.

What is true of the aviation industry as a whole is also true of Curtiss-Wright Corp.—perhaps in even greater measure.

Last year total deliveries of all aircraft were the largest in the industry's history. Sales of the eight leading manufacturers in 1937 were in excess of $108,000,000, an increase of more than 66 per cent over 1936. Even more impressive, however, was the increase of nearly 88 per cent in the net profit of these companies. This is highly significant, for up to the present time profits have not fully reflected the rising sales trend. Apparently, sales volume has reached a level where development costs, an important item in the aircraft industry, can be more readily absorbed.

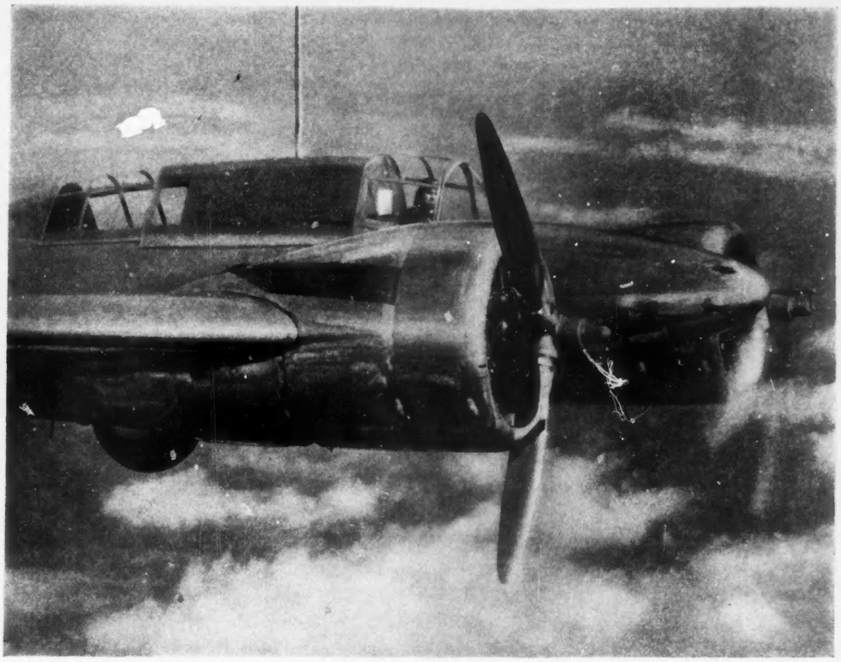
Taken as a group, the eight leading manufacturers last year were able to save better than 9 cents for net profits out of each one dollar of sales. In 1936 the average was 8 cents. Like all manufacturing industries, however, the aircraft industry was compelled to bear the burden of increased wages and higher raw material costs last year. In the face of this condition, the ability of an aircraft manufacturer to widen the margin of profit serves to further emphasize the increased efficiency and reduced costs resulting from a rising sales volume.

Last year net profits, before surplus profits taxes, of Curtiss-Wright were equal to 8.8 per cent of total sales, which compared with 5.9 per cent in 1937 and a loss in 1935. Only three of the leading aircraft manufacturers made a better showing in this respect. United Aircraft, with a sales increase of about $7,000,000, had a ratio of 13.7 per cent and Glenn L. Martin, with a sales increase of about $1,600,000, showed 14.7 per cent. North American Aviation, with a ratio of 9.7 per cent, did slightly better than Curtiss-Wright, having in the previous year showed a loss. Of these companies, however, United Aircraft is logically the more comparable. The other companies are primarily engaged in the manufacture of planes, whereas United Aircraft and Curtiss-Wright operations also embrace the manufacture of motors and other activities. The wide margin of profit



revealed by Glenn L. Martin is probably due in large part to the substantial portion of that company's output which is sold abroad, and on which the margin of profit is larger. All of the other companies engaged exclusively in the manufacture of planes showed a lower margin of profit than did Curtiss-Wright. In fact these companies suffered a diminution in the margin of profit last year, largely because of their inability to fully mitigate substantially increased development and manufacturing costs.

In the light of the foregoing, the natural assumption is that certain definite advantages result from more diversified operations. As a matter of fact, however, the superior showing of Curtiss-Wright and United Aircraft could doubtless be traced to the greater degree of stability imparted to operations by their aircraft motor divisions. These two companies are the only ones in the United States which manufacture the larger types of airplane motors in general use today.



The fastest attack plane in the world today—The Curtiss A18 is shown in flight with one engine stopped to demonstrate the "Full Feathering" feature of the Curtiss constant speed propeller.

The Wright Aeronautical division of Curtiss-Wright is the oldest aircraft engine manufacturer in the world and the largest in the United States, tracing its lineage back to the first powered flight of the Wright brothers in 1903. So well known are Wright motors, both in and outside of the aviation industry, that almost any schoolboy today can tell you that Colonel Lindbergh used a Wright Whirlwind motor on his epoch-making flight across the Atlantic in 1927. To what extent Wright products have subsequently figured in the growth of commercial air transportation in the United States, is suggested by the fact that the majority of domestic airlines use planes powered by Wright engines. In fact, the company boasts that the fastest equipment in use throughout the world by leading airlines is powered by Wright Cyclone and Whirlwind engines. American Airlines, operating the largest airline in the United States uses Wright Cyclones exclusively, as does Eastern Airlines. Other important routes using Wright motors include Pan American Airways, Transcontinental & Western Air, Banff Airways and Chicago & Southern Air Lines. K.L.M. Royal Dutch Air Lines, operating the oldest and longest air route in the world, employs Wright power for much of its equipment.

Used extensively in commercial aviation, Wright motors have also played an important role in the development of the military and naval air services in the United States. Last year the U. S. Army Air Corps purchased more than 1,200 Wright engines and since the development of the company's Cyclone motor some twelve years ago for the United States Government, more than 7,000 units of this model have been sold. Cyclones are being used in the latest type of Boeing four-engined bombers, the Douglas twin-motored bombers, Curtis attack planes, North American observation planes, Grumman F3F-2 Navy fighters and the majority of Army cargo and transport planes.

Foreign business also figures prominently in Curtiss-Wright activities. Export sales last year recorded a sizable gain and business was booked in four new countries bringing the total up to thirty-eight nations throughout the world where the company's products are in service. All of the major European airlines are users of Curtiss-Wright products.

Although it is probable that the construction of aircraft is not as profitable as the engine division, nevertheless, it is an important phase of Curtiss-Wright's activities. During the past two years it has become increasingly so under the impetus of Government purchases as part of a greatly accelerated defense program. Last year the company received substantial orders for the SBC-3 Navy Bomber Biplane and the SOC-3 Navy Scout Observation Seaplane. In addition large Army orders were received for the Pursuit type plane known as the P-36. For export the company booked large orders for the Type III Hawk Pursuit planes and the new Hawk 75 units.

Aircraft production is carried on principally by the Curtiss Aeroplane division with plants located in Buffalo, N. Y., where practically all military and naval units are manufactured. The company's activities in the development and production of commercial and private planes are carried on chiefly by the St. Louis Airplane division. Considerable development work has been done on the Curtiss Controllable Pitch and Constant Speed Full Feathering propeller and progress has reached a point where the company has felt warranted in recently establishing a separate manufacturing division of this product. Facilities are booked (*Please turn to page* 59)

A Comparison of Corporate Strength

Leading Companies Examined for Ability to Withstand Adversity or Profit by Prosperity

BY DOUGLAS R. STONE

AMERICAN industry concluded its longest boom in 1929, with most of the major companies in very strong position to withstand the slump that followed. Since the 1935-37 period of prosperity was comparatively short, there is a legitimate question whether or not the same companies which weathered the historic depression so well have been able to regain their financial strength. In other words, can industry "take it" this year, if necessary, despite the brief recuperative period allowed it and the taxes which have discouraged preparing for a slump?

On the opposite page are listed twenty-four of the most prominent industrial corporations and four outstanding utilities. The selection was made mainly for size, but with an eye also to balance according to type of industry. Other statements examined show similar comparative trends. Net working capital, the excess of current assets over current liabilities, is shown for each company as of the end of 1929 and the end of 1937, or the nearest fiscal years. Exactly half of the balance sheets reported larger working capital at the beginning of the current year than at the end of the greatest boom the country has ever experienced. Total working capital is only 4 per cent below the level of eight years ago.

The earnings record shows that only eight out of the twenty-eight enterprises were able to better 1929 results last year, although over half of those supplying figures on gross revenues had increased their sales volume. Higher wages and taxes were mainly responsible for a drop of 18½ per cent in profits against a gain of 8 per cent in gross revenues.

In considering the figures shown for working capital, it is important to make allowances for changes which have taken place in individual situations. A number of the selected companies have reduced or eliminated funded debt since 1929. U. S. Rubber, for instance, paid off both bank loans and some of its bonds; Chrysler retired a fifty million dollar bond issue; General Electric called its special stock. Every company on the list spent substantial sums on modernization and improvement. General Motors used $75 millions for this purpose in 1937 alone, while the expenditures of a company like U. S. Steel during a program of bringing its plant and equipment up to date have been enormous. The gain in efficiency cannot be expressed in figures, but it has a definite relation to future profits and to the need for capital over the next few years. That the composite current position of the twenty-eight companies has been maintained almost unaffected during several years of depression and several of expansion of facilities is rather surprising. The record is more impressive when the urge of the tax on undistributed profits to pay out all earnings in dividends is taken into consideration.

A closer examination of the balance sheets, however, reveals certain less encouraging facts. Using the two dozen industrials only, inventories were carried at $1,735 millions in 1929, dropped to $1,398 millions in 1934, rose to $1,733 millions in 1936, and registered another large jump to $2,068 millions at the end of 1937. Since these inventories are carried on the books at conservative figures, they are a legitimate part of working capital, but during a rapid decline in sales they are likely to grow at the expense of the more liquid items. Thus, at the end of 1936 inventories were still somewhat below 1929 levels, only to be built up by the end of the following year to a point 19 per cent above 1929. The increase in volume of business amounted to only 8 per cent, so that even under more nearly normal conditions than the present these companies could be expected to drop their purchases below their sales until balance was restored. Such a period, with its depressing effect on commodity prices and the general business level, need not be a prolonged one unless sales continue their steep decline.

Cash and marketable securities of the twenty-four industrials amounted to $1,284 millions in 1929, to $1,016 millions in 1936, and to $816 millions at the end of 1937. Correction of inventory positions will automatically work to build up cash, although the elimination of interest charges and preferred dividend requirements in many cases has reduced the amount of cash necessary to carry the companies through a slump. Eight years ago there were much stronger inducements for maintaining large balances of cash on hand, and many of the larger companies were loaning money in the call loan market. An

unnecessarily large amount of cash is now wasteful, since little or no return can be secured, and the trend has been away from large treasury holdings of speculative securities. In this sense the present position is much sounder than that in 1929, when many of the marketable securities later turned out to be marketable only on the buyer's terms at a time of urgent need.

The utility group more than doubled their holdings of cash and securities between 1929 and 1937, yet the figure has little meaning, since these companies are continually changing their cash position in accordance with refunding programs. (*Please turn to page 64*)

HOW SOME LEADING COMPANIES STAND

Company	Net Working Capital (millions) 1929	1937	Earnings 1929	1937	COMMENT
General Motors	$248	$347	$247	$196	Inventories at all-time high. Cash also up. First quarter sales 225,922 units against 340,693 year ago.
Chrysler	71	74	22	51	Sales up 105% over 1929; earnings up 131%. Estimate loss first quarter 1938.
U. S. Steel	441	363	198	95	Plant modernization has reduced working capital. Increased common stock authorized to allow future financing.
Bethlehem Steel	179	142	42	32	Sales up 22%, but profit margin lower and probably will continue lower.
Anaconda	99	80	69	31	Working capital in 1934 was $211,000. Ten-cent copper with low volume has greatly restricted current earnings.
Kennecott	66	82	52	50	Cash and securities as well as inventories now above 1929. Operations off in line with copper demand.
Union Carbide	113	64	35	43	Cash down, inventories up, volume currently lower.
Allied Chemical	145	87	30	25	Formerly carried quantities of own stock among current assets. Sales at record last year, but running lower since.
American Tobacco	136	140	30	26	Cash down, inventories up. First quarter sales above year ago and should continue satisfactory.
General Electric	206	130	70	64	Distribution of Radio Corp. and redemption of own securities affected assets. Orders off 36% in January and February; off 50% in March.
Westinghouse Electric	100	99	27	20	Sales up 15%; profits lower. Bookings and profits in first quarter about half those a year ago, but may pick up during second quarter.
International Harvester	222	247	37	32	Cash up; inventories substantially higher. Company discussed in detail elsewhere in this issue.
Eastman Kodak	79	66	22	22	Earnings exceeded 1929 by $342,000. Volume currently holding up well, except in acetate division.
International Nickel	32	67	22	50	Cash and marketable securities up $28 millions over 1929. War demand should sustain.
American Can	44	41	23	18	Inventories up, cash down $18 millions from 1929. First two months' sales off 5%; outlook fairly good.
Sears Roebuck	74	140	30	31	Sold stock to augment working capital in 1937. Moderate decline in sales forecasts lower profits.
Montgomery Ward	113	126	13	19	Sold stock to augment working capital in 1937. February and March sales 8% below a year ago.
J. C. Penney	48	65	12	17	Inventories above 1929, cash unchanged. January and February sales less than 5% below a year ago.
Texas Corp.	232	127	48	55	Reductions in debt and expansion of property hit current assets. Price structure in face of mounting supplies is major uncertainty.
U. S. Rubber	94	[illegible]	1	9	Loans and debt cut $77 millions. New equipment tire sales will continue restricted until motor industry revives.
Goodyear	116	99	20	7	Inventory losses reduced last year's earnings by over $10 millions. Volume currently lower but reduced inventory costs will help profit margins if retail prices hold up.
General Foods	27	30	19	9	Sales up, but profit margins substantially lower. Birdseye products should continue to gain. Sold stock in 1937.
Johns Manville	12	19	7	5	Cash up from $2,724,000 to $8,671,000. Prospects of building pick-up.
American Radiator	80	58	20	7	Cash lower; inventories up slightly. Prospects of building pick-up.
Totals	$2,977	$2,757	$1,096	$914	

Company	Net Working Capital 1929	1937	Earnings 1929	1937	COMMENT
Consolidated Edison	$18	$2	$65	$36	Temporary bank loans were funded in January. Earnings for year to March estimated at $2.18 per share.
Western Union	0	10	15	3	Gross off 31%; net off 78%. Profits slump has given some signs of ending.
Columbia Gas	17	25	32	14	Cash and securities $12½ millions higher. S. E. C. has forbidden payment of common dividends pending examination of surplus.
American Telephone	2	101	217	182	Cash and securities up $95 millions. Long lines revenue off, but phones in use show encouraging stability.
Totals	$37	$138	$329	$235	
Total Industrials and Utilities	$3,014	$2,895	$1,425	$1,149	

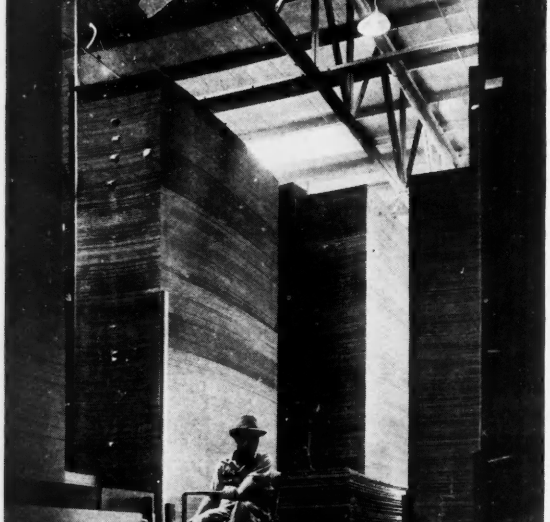
For Profit and Income

Mixed Showing Being Made by Building Companies

Some of the companies supplying building materials have been doing better than one might have expected. Masonite, for example, reported a net profit of $551,938 for the twenty-eight weeks to March 12, 1938. This, after dividends on the 5% preferred, was equivalent to 93 cents a share on 536,740 shares of common. In the corresponding previous period of 1937 the company's earnings were equal to $1.33 a share of common. Certain-teed reports that although the first two months of 1938 were very poor, there was such a pick-up in March that business in this month ran ahead of March, 1937. In the case of American Radiator & Standard Sanitary it was reported also that January and February had been poor months, the company's domestic business being nearly 27% under 1937 and that including foreign business the decline was almost 24%. However, like Certain-teed, American Radiator reports improvement in March although figures are not available to show the extent of the betterment. Johns-Manville reported a consolidated net loss of $239,475 in the first quarter compared with a profit of more than $1,000,000 in the first quarter of 1937. Sales declined nearly 20%. The building stocks are one of the most important groups for investors to watch, for when there is a real reversal of the downward trend of business they are expected to prove among the most profitable issues.

Atchison Defers Interest on Adjustment 4s

There was a sharp break in all the securities of the Atchison, Topeka & Santa Fe on the announcement that interest on the "stamped" adjustment mortgage 4s had been deferred. It was not, however, a default as interpreted in some quarters. Under the terms of the mortgage, interest on these bonds is only a fixed obligation to the extent of surplus net earnings. At one time interest was paid in one installment, November 1, on its being determined that earnings for the year to the previous June had been sufficient. Later, as a gesture of goodwill towards the bondholders part of the bonds were "stamped" and reissued with May 1 coupons. In accordance with the terms of the mortgage the company is perfectly within its rights to wait until the fall and then pay all or part of the interest in accordance with the amount of surplus net earnings. The company states that it hopes to be able to pay full interest next November 1, but that as a matter of prudence the usual May 1 payment was deferred. Any interest not paid is cumulative against surplus net earnings of future years.



Courtesy Masonite

In the Masonite warehouses large stocks are held in anticipation of building improvement.

Changes in Electric Bond & Share

Following the loss of its fight in the Supreme Court on the Public Utility Act, the Electric Bond & Share Co. quickly took steps to register with the Securities

& Exchange Commission. Now, complying with the Commission's regulations, steps have been taken on the part of Ebasco Services, a subsidiary, to render services to domestic "client" companies at cost. The consequent loss of income to Electric Bond & Share will be important. Last year about $1,500,000 of the parent's gross was derived from Ebasco, or about 14% of net. In the first quarter of this year the profit on services rendered "client" companies was some $209,000. The service-at-cost plan became effective April 1. Electric Bond & Share's net income for the first quarter after preferred dividend requirements was equal to 1 cent a share on the common, compared with 6 cents a share in the first quarter of 1937.

Latest Government Program May Help Banks

Bank stocks, and particularly those of New York City institutions, firmed appreciably on the announcement of the Government's latest spending program. While a resumption of deficit financing can be criticised from a number of different standpoints, it's an ill wind that blows no good and it is just possible that it will help the banks. This is because an intensification of Government borrowing will mean that a greater number of bonds will find their way into the hands of the banks and to this extent increase their earning assets. This is not to say, however, that the banks will necessarily do better, for there are other factors to be taken into consideration. A continuance of the downward trend in corporate bonds, for example, probably would be stronger on the adverse side than any likely increase in earnings assets. Nevertheless, the latter is a favorable force to which some consideration should be given.

Developments in Companies Recently Discussed

Westinghouse Electric & Manufacturing . . . Officially reported in the middle of April that the company was operating in the "black" despite the recession. The chairman went on to say that not only was March business substantially ahead of February, but that the trend was continuing in April.

Libbey-Owens-Ford . . . Reported a loss of $372,000, after depreciation, provision of $325,000 for the purchase of patents, but before federal taxes, for the first quarter of the year. Disappointing inroads into large stocks of glass has been an adverse factor.

Republic Steel . . . T. R. Girdler, chairman, was pessimistic over the near-term outlook at the annual meeting which was held recently. He said: "I am not only blue about Republic, but I am blue on industry and business generally and also on the rate of federal spending." In connection with the automobile industry the opinion was expressed that automobile manufacturers in general had enough steel on hand to finish 1938-models.

Consolidated Aircraft . . . Deliveries in the first quarter of planes and spare parts were 28 per cent ahead of the corresponding period of 1937. Backlog of unfilled orders as of March 31 totalled $10,749,000 against $9,932,000 a year ago. Last year established a sales record for this company, but it seems certain that this year will establish another new high.

Air Reduction . . . Earnings in the first two months of 1938 were 59.5 per cent below the corresponding months of 1937. Figures for three months' earnings are not complete, but sales in this period were nearly 29 per cent under a year ago. The chairman rates his company an excellent thermometer of activity in metal working, but a poor barometer.

Bendix Aviation . . . Recently sold $10,000,000 of 10-year 3½ per cent debentures privately, the money to be used for expansion and to improve working capital position. Company's aviation business has held up much better than its automobile lines and over the balance of the year the probabilities favor a continuance of this divergence.

General Foods . . . Has filed with the S E C a registration statement covering 150,000 shares of cumulative preferred stock—rate and price to be supplied later. It is stated that some $7,000,000 might be used for capital expenditures this year, that about $850,000 will complete paying for a recently acquired subsidiary, while the balance will improve working capital.

General Electric . . . Orders received in the first quarter of this year totalled $65,376,400, compared with $105,747,030 in the corresponding period of 1937, a decline of 38 per cent.

A Question of Salary

U. S. Rubber stockholders have been asked to approve a new basis of compensation for the company's president. Instead of the $125,000 salary which he now receives, the plan is to pay him $150,000 a year, but to eliminate any other compensation in the form of bonus or stock. The management calculates that based on 1937 profits the president would get about $225,000 this year under the old scale as contrasted with the flat $150,000 proposed.

Upon retirement, however, the president is to be entitled to a pension of $75,000 a year for the rest of his life. In other words, the company is to assume a fixed charge which if capitalized at the 4¼% rate set by the company's new bonds would amount to a million and three-quarters dollars. The management has done a remarkably fine job of reducing fixed charges and rehabilitating the company, but this seems hardly the time to make any adjustments in officers' salaries which have even the appearance of raises. The bulk of employees as well as stockholders are facing a discouraging year, and six-figure salaries are not timely topics.

Improving Your Security Position

— Averaging in Issues Worth Retaining
— New Commitments in Low Priced Opportunities

BY EDWIN A. BARNES

IN the April 9 issue of the MAGAZINE OF WALL STREET there appeared a discussion of the opportunities open to the investor seeking to allay a potential loss of income threatened by dividend reductions and omissions. That discussion was concerned primaril with those companies which in the past have displayed noteworthy resistance to business depressions and, with the advantage of sustained earnings, have been able to establish an excellent record of continuous dividend payments.

There are, however, many investors whose interest in common stocks is frankly speculative. They are concerned primarily with capital profits and dividend income is a secondary consideration, if indeed it enters into the picture at all. Nevertheless, the events of the past six months or more have had the effect of so altering the prospects for individual companies that the need for revising speculative holdings at this time is no less pressing than it is in the case of those investors requiring dependable income. This problem is the subject of this discussion.

In a bear market, all stocks decline, including the better stocks and those with sustained earning power. Obvious as this bear market characteristic is, it will stand emphasis for the purpose of bringing the present setting into perspective. It may also be equally obvious that the market invariably at some point will over-emphasize and exaggerate the outlook. Not so obvious, unfortunately, is the point at which this tendency may be most pronounced.

At the present time there are well defined indications that the bear market may be entering its final phase. This is not to say that an early and sustained upturn is anticipated. In fact with the possibility that business generally may falter temporarily after the spring seasonal impetus is spent, security prices may be subject to recurring sinking spells. The probabilities are, however, that business will experience a greater measure of recovery in the last six months this year. Logically, therefore, it may be reasoned that stocks have seen their worst days marketwise and such declines as may appear later will be relatively small, percentagewise.

This, of course, cannot be other than a speculative conclusion at this time, and in following this line of reasoning the necessary mental reservations must be made for the possibility that adverse developments may intervene, causing a further delay in the progress of recovery. Conceding, therefore, that security purchases undertaken at this time involve numerous speculative factors, nevertheless, opportunities for potentially profitable revisions in present holdings are by no means circumscribed.

Even within the conservative limitations prescribed by caution and discrimination, the investor has two courses open to him at this time. First, issues which have definitely "turned sour" for reasons which are specific rather than general should be switched. Second, present prices invite "averaging down" the cost of more favorably situated stocks, acquired at higher prices.

In the matter of switches, stocks in the low-price category afford the most promising choice for several reasons. The extent of the decline in security prices during the past six months has greatly enlarged the choice of low-price stocks and while a sizable number of such issues are clearly of the "cat and dog" variety, and offer little inducement beyond their low price, they do not dominate the low-price group to the same extent which they did at the top of the late bull market. There are numerous common stocks now selling below $20 a share which represent an equity in high ranking companies, financially secure, and with a record of good earning power under reasonably favorable conditions. Low-price issues are likely to be less vulnerable to any further market decline which may occur in the months ahead.

Attractive Low Price Stocks

Issue	1937-38 Price Range High	1937-38 Price Range Low	Recent Price
International Tel. & Tel	15⅞	4	7
Curtiss-Wright "A"	23¾	8⅛	16
Glenn L. Martin	29¼	10	17
Twentieth Century-Fox	40⅞	16⅛	18
Superheater	61¾	17⅛	19
Republic Steel	47¼	11½	14
Consolidated Aircraft	33¾	8	14
Industrial Rayon	47½	14⅜	17
Food Machinery	58	18	20
Sperry Corp	23¾	10	19
Bullard Co	45¼	10¼	14
Container Corp	37⅜	9⅞	12
National Acme	24	8	9
Flintkote	46¼	10⅞	14
Cutler-Hammer	27	13¼	17
Union Bag & Paper	18⅜	7⅝	10

Also in choosing low-price issues for switches, the investor is, of course, able to acquire a larger number of share units, an advantage which coupled with the potentially greater percentage of price appreciation, afford the opportunity of recovering capital losses more rapidly.

In averaging down the cost of commitments, the investor might follow the general rule of confining additional purchases, for the present at least, to those issues which on the basis of near term prospects appear likely to record better-than-average earnings. This policy should act to safeguard against the possibility of a sudden, and possibly precipitous decline in market quotations, which conceivably might greet the publication of an unexpectedly poor quarterly earnings statement during the next few months. Many issues, however, in the higher price brackets have already declined in value to a point where the extent of any slump in earnings now conceivable appears to have been rather adequately recognized. These issues would also be logical candidates for averaging. On the other hand, there are still a sizable number of issues which appear to be selling at a generous ratio to prospective earnings over the near term, and without the benefit of early improvement in their prospects, they must be rated as vulnerable to any liquidation which may crop out.

Accompanying this discussion are two lists of selected issues—one a list of low-price issues possessing sufficient speculative merit to warrant their consideration as switches from less desirable holdings, the other a list of issues which at present prices invite additional purchases for the purposing of averaging commitments already held. These lists are representative rather than complete. Of the low-price issues several have been selected arbitrarily and without prejudice to the others for brief analysis.

Stocks Attractive for Averaging

Issue	1937-38 Price Range High	Low	Recent Price
Niles-Bement-Pond	62	24¼	30
International Harvester	120	50¼	57
Montgomery Ward	69	25	30
National Steel	99¼	44¾	49
International Nickel	73⅜	36⅞	44
Newmont Mining	135¾	42	48
National Lead	44	17⅛	21
Allis-Chalmers	83½	34	39
Loew's	87⅞	33	38
Columbian Carbon	125¾	53¾	60
Johns Manville	155	58	65
Monsanto Chemical	107½	68¼	73
Union Carbide	111	57	63
Sears Roebuck	98⅝	47	53

Container Corp. of America

Container Corp. is the nation's largest manufacturer of paperboards, of which there is a wide variety, most of which, however, is used in various forms and combinations in the production of paper boxes, cartons, packages and shipping containers. Some idea of the scope of paperboard consumption is suggested by the fact that there is hardly a manufacturing industry that does not use paper shipping containers, to say nothing of the host of manufacturers whose products are marketed in some form of paper box or carton. Among its own customers, Container Corp. includes many of the processers of nationally advertised food products. The company's manufacturing activities are closely knit and facilities include seven paper mills located with particular regard to supply of raw materials and the company's manufacturing units, of which there are five located at strategic industrial points.

Container Corp. last year reported a net profit of $1,784,104, equal, after depreciation, interest, taxes and surtax on undistributed profits, to $2.28 a share on 781,253 shares of capital stock. The 1937 showing compared with $1,286,942 the previous year, and established a new high record in the company's earning power.

In a considerable measure, the fortunes of the company are closely linked with those of general business, and while many of its largest customers are identified with the more stable consumers' products, past experience has shown that competition in the paperboard industry tends to intensify with any decline in volume. Reflecting the slump in general business, sales volume declined in the final quarter of last year and continued toward lower levels in the first three months of the current period. As a consequence, selling prices have drifted downward and earnings of Container Corp. in the first six months of this year are unlikely to attain the levels of 1937. On the other hand, any improvement in general business in the final half of 1938 should find prompt reflection in sales and profits. All things considered, the company's prospects, as they shape up at this time, appear to be very conservatively appraised in prevailing quotations for the common stock of around 11-12. Dividends thus far this year have been continued at the rate of 30 cents quarterly but this rate is obviously subject to later modification to conform with the lower trend of earnings. As a low-priced speculative vehicle, the shares would appear to have better-than-average profit possibilities.

Food Machinery Corp.

Food Machinery Corp. engages in the manufacture of machinery and equipment used in the processing and packaging of foods. Products include canning, packing house and milk sterilizing equipment, machinery for pitting peaches and for peeling and coring apples, equipment for washing, grading, marking and packing fruits, machinery for making fruit and vegetable crates, mechanical spraying outfits for orchards and field crops, heavy duty plows, and turbine pumps. The company also makes various types of equipment for automobile service stations. The major portion of sales are to fruit and canning companies. Leasing of milk sterilizing equipment also contribute importantly to earnings. In addition, the company acts as jobber for certain other manufacturers and such business normally contributes about 20 per cent of total sales.

By virtue of the fact that the company sells durable goods to the largest and most stable of all consumption goods industries—food packing and processing—sales and profits experience no such extreme fluctuations as

are typical of most machinery manufacturers. The company showed a loss in only one year of the depression—1932—and that was less than $25,000.

For the fiscal year ended September 30, last, profits, sales and working capital attained record high levels. Profit of $1,854,469, equal to $4.10 per share on 426,633 shares of common stock was more than double the pre-depression level of $826,296 recorded in 1930. Profit of $213,019 in the December quarter was equal to 39 cents a share on the common stock, comparing with $262,021 or 62 cents a share on a smaller number of shares in the same period of 1936. At the beginning of this year cash approximated $2,750,000 and the ratio of current assets to current liabilities was approximately ten to one. Capitalization consists of 40,000 shares of $4.50 convertible preferred, together with the aforementioned common shares.

Total dividends paid last year, including extras of $1.87½, amounted to $3.87½. The most recent payment was at the rate of 25 cents a share. The company appears to be well able to maintain dividends at the rate of at least $1 a share this year and extras are not an unlikely possibility. Yielding around 5 per cent at recent levels of about 20, the shares are worthy of consideration for income and longer term price appreciation.

Bullard Co.

Rated as one of the foremost manufacturers of automatic machine tools and vertical turret lathes, Bullard Co. is credited with developing some of the most efficient machine units used by automobile manufacturers, aircraft builders, railroads and railroad equipment manufacturers. By its very nature, the machine-tool industry imparts considerable element of fluctuation to the earnings of representative manufacturers of automatic machinery and while the industry will suffer as a result of the slump in general business, there is a good possibility it will be favored to some extent by various sustaining factors. In order to offset the added burden of increased wages and taxes, manufacturing industries are virtually compelled to effect every possible economy and efficiency in their operations. Modern machine tools provide at least a partial solution of this problem. Moreover, reliable advices indicate that the automobile industry this year, in anticipation of radical changes in new models, will undertake considerable re-tooling. Rearmament activities abroad and large scale aircraft and ship building in the United States may also be depended upon to partially offset the decline in the volume of new business booked from other large machine tool users.

Although January and February orders of Bullard were less than the corresponding months of 1937, the backlog of unfilled orders at the end of January, were larger than the year previous. Last year, the company's net profit of $879,118, compared with $691,701 in 1936 and about $294,000 in 1935. After payment of a surtax of $49,630 on undistributed profits, earnings applicable to the 276,000 shares which comprise the entire capitalization were equal to $3.19 each, compared with $2.50 per share earned in 1936. At the close of 1937, current assets including some $169,000 in cash were $1,855,596, while current liabilities were less than $500,000. Total dividends paid last year amounted to $2.00 per share and the latest payment this year was at the rate of 25 cents a share.

Last year the company's shares sold as high as 45¼, which compares with current prices of around 14. Admittedly faced with a lower volume of business over the next several months, there is, however, nothing in the company's prospects which would indicate such a severe drop in business and profits as suggested by the decline in its shares. With the benefit, therefore, of any reasonable turn for the better in business and market conditions, the shares would doubtless enjoy substantial price recovery.

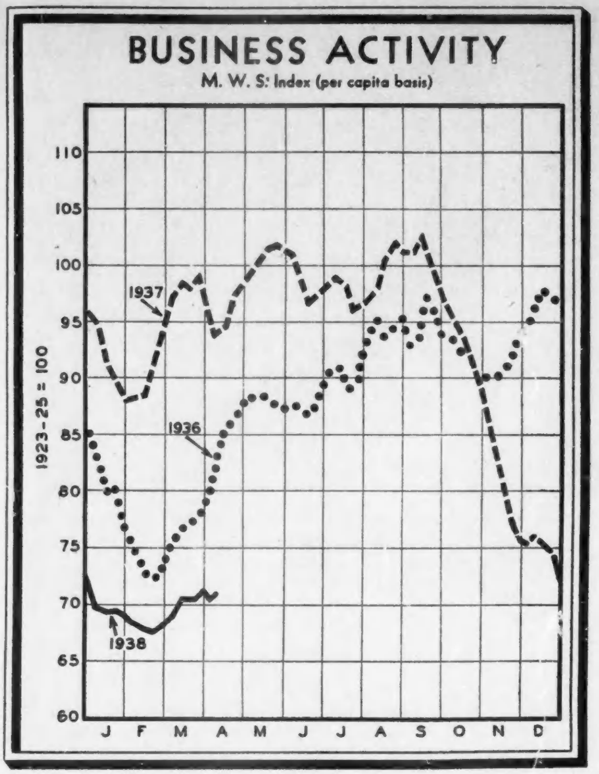
Flintkote Co.

One of the brighter spots in the current business picture is the relatively well sustained level of building activity. Under the spur of the Federal Housing Program, building contracts have recently turned upward and mortgage applications before the F H A are the largest since that Bureau was organized. Moreover, building costs have tapered off to some extent and funds available for borrowers are ample. Also, the F H A again stands ready to finance modernization projects. While the long-hoped for building boom is far from being an actuality, the fact remains that the building prospect at this time appears much more hopeful than is suggested by prevailing quotations for the shares of representative companies identified with the building industry.

Flintkote Company engages in the manufacture and sale of such building products as asbestos shingles, roll roofing, sheathing papers, insulation boards and roof coatings. Its products, together with an asphalt emulsions used for surfacing roads comprise the principal products. Building materials, however, normally contribute two-thirds of the company's business.

Despite the company's prominence in its field, earnings over the past two years have declined. This condition, however, was due in a large measure to factors beyond the company's control and there is no indication that Flintkote has lost any competitive ground. In 1936, for example, sales increased some 23 per cent but unfavorable price levels had a restraining effect on earnings. Net, in that year, was equal to $1.75 a share on the capital stock, comparing with $1.96 a share in 1935. In the first six months of 1937, the company earned $659,233 an increase of nearly $200,000 over the corresponding period of 1936. Due, however, to the sharp falling off in sales in the final six months, earnings for the full 1937 year totalled only $1,005,423 or the equivalent of $1.50 a share.

The 670,346 shares of stock outstanding comprise the entire capitalization, an amount sufficiently conservative to indicate the possibility of fairly substantial earnings in the event of anything approaching a genuine revival in the building industry. Viewed only in relation to near-term prospects, however, the shares, at 15, may be accredited with rather attractive speculative possibilities. Last year the company paid dividends at the rate of 25 cents a share quarterly, but this year payments have been placed on a semi- (*Please turn to page 63*)



HIGHLIGHTS

INDUSTRY—Pump priming projects may stir business activity. Sentiment improves with Congressional revolt against New Deal. Worst of rail crisis discounted.

TRADE — Late Easter brings retail trade up to last year; but wholesale business still slow.

COMMODITIES— Inflationary moves bring recovery in raw material prices; crop outlook good; metal stocks high.

MONEY AND CREDIT—March dividends off 29%, against only 13% for first quarter. Bonds rally. Bank credit contracts. Release of gold sterilization fund will inflate bank reserves.

The Business Analyst

Owing mainly to an exceptionally sharp drop in soft coal shipments, and to further curtailment of cotton cloth production, both caused by over-stocking, BUSINESS ACTIVITY since our last issue has retraced a small portion of its moderate advance during the preceding five weeks. For the month of March, per capita BUSINESS ACTIVITY amounted to 70.4% of the 1923-5 average—a 3% gain over February; but 23% under the like month of 1937. Average for the first quarter was 69.4—15.8% under the fourth quarter and 25.7% below the first quarter of 1937. This large shrinkage in the physical volume of business, along with inventory write-downs made necessary by further price recessions, has naturally led to a sharp drop in profits earned by most companies during the first quarter; though there were a number of cheering exceptions.

* * *

The growing rebellion in Congress against New Deal reform measures is developing a political deadlock which promises to result in a long respite from further legislative experiments; provided the resulting gain in confidence does produce recovery without undue delay. But if business should fail to improve within a month or two it is in the cards that Senators and

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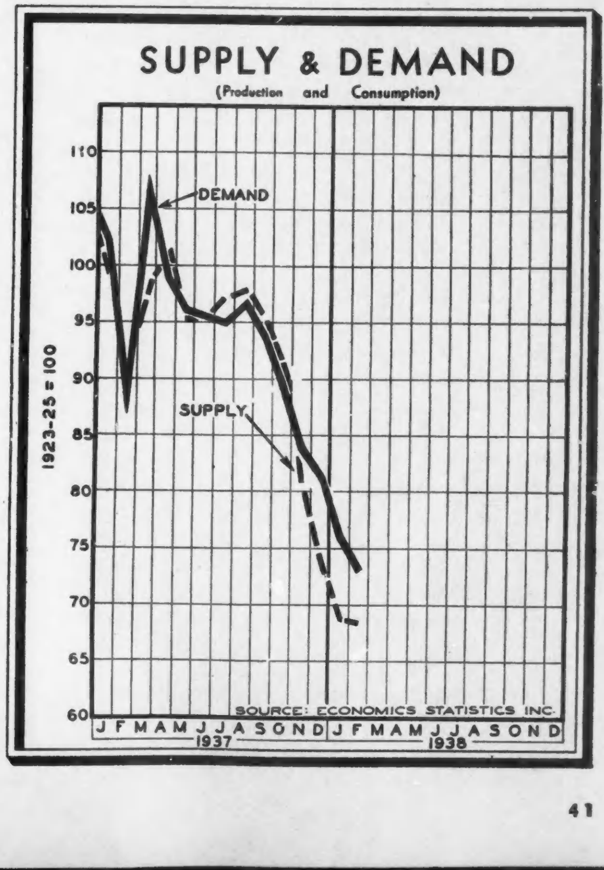

Business and Industry

	Date	Latest Month	Previous Month	Last Year
INDUSTRIAL PRODUCTION (b)				
World	Jan.	94.6	96.0	107.6
U. S. A	Feb.	71.7	72.6	105.3
Canada	Jan.	96.6	106.3	101.4
United Kingdom	Feb.	117.2	118.3	116.7
France	Feb.	75.6	77.2	81.1
Germany	Jan.	124.9	122.9	115.1
WHOLESALE PRICES (h)	Mar.	79.5(pl)	79.8	87.8
COST OF LIVING (d)				
All items	Mar.	86.7	86.7	87.9
Food	Mar.	80.3	80.1	87.2
Housing	Mar.	87.5	87.8	84.2
Clothing	Mar.	75.5	76.0	75.9
Fuel and Light	Mar.	86.2	86.3	86.1
Sundries	Mar.	97.8	97.5	96.4
Purchasing value of dollar	Mar.	115.3	115.3	113.8
NATIONAL INCOME (e)	Feb.	$4,850	$5,279	$5,131
CASH FARM INCOME†				
Farm Marketing	Feb.	$456	$603	$505
Including Gov't Payments	Feb.	487	620	557
Prices Received by Farmers (ee)	Mar.	96	97	128
Prices Paid by Farmers (ee)	Mar.	126	126	132
Ratio: Prices Received to Prices Paid (ee)	Mar.	76	77	97
FACTORY EMPLOYMENT (f)				
Durable Goods	Feb.	73.8	75.9	88.4
Non-durable Goods	Feb.	91.8	89.6	101.5
FACTORY PAYROLLS (f) (not adjusted)	Feb.	73.5	71.6	95.8
RETAIL TRADE				
Department Store Sales (f)	Mar.	86	88	93
Chain Store Sales (g)	Mar.	103.3	106.4	108.6
Variety Store Sales (g)	Mar.	107	111	111.6
Mail Order Sales†	Mar.	$67.3	$51.9	$75.1
RETAIL PRICES (s) as of	April 1	90.6	91.2	94.5
FOREIGN TRADE				
Merchandise Imports†	Feb.	$163.0	$170.7	$277.7
Cumulative year's total†	.....	333.8	......	585.2
Exports†	Feb.	$262.7	$289.4	$233.1
Cumulative year's total†	.....	552.2	......	458.9
RAILROAD EARNINGS				
Total Operating Revenues*	Feb.	$251,174	$279,259	$321,960
Total Oper. Expenditures*	Feb.	215,487	232,710	244,154
Taxes*	Feb.	27,451	28,813	28,450
Net Rwy. Operating Income*	Feb.	2,136(d)	6,920	38,792
Operating Ratio %	Feb.	85.79%	83.33%	75.83%
Rate of Return %	Feb.	Def.	0.49	2.46
BUILDING Contract Awards (k)				
Total†	Mar.	$226.9	$119.0	$231.2
Residential†	Mar.	79.4	40.0	90.2
Public Works and Utility†	Mar.	59.7	30.5	88.6
Non-Residential†	Mar.	87.8	48.5	52.5
Publicly Financed†	Mar.	94.6	51.1	66.4
Privately Financed†	Mar.	132.3	67.9	164.9
Building Permits (c)				
214 Cities†	Mar.	65.2	47.9	85.2
New York City†	Mar.	11.4	6.1	35.9
Total, U. S.†	Mar.	76.6	54.0	121.1
Engineering Contracts (En)†	Mar.	$259.1	$210.8	$156.8
CONSTRUCTION COST INDEX (En) 1913-100	Mar. 1	243.4	243.4	225.3

PRESENT POSITION AND OUTLOOK

(Continued from page 41)

Representatives who are coming up for re-election this autumn will support the President in resorting to renewed pump priming palliatives, regardless of doubtful merits of spending program.

* * *

In weighing the business situation, however, it is well to bear in mind that sentiment is molded fully as much by current business conditions and prospects as by political considerations. No sensible executive would add to his company's already excessive inventories unless sales and prices were increasing; and no political developments, however gratifying, would make it possible for the farmer to buy more now while **prices received by farmers** are 25% lower than a year ago and **prices paid by farmers** are down only 4%. Neither can the non-agricultural population spend on a prosperity scale so long as eleven millions are unemployed and while white collar salaries are being cut.

* * *

Department store sales during the month of March were 14% lower than a year earlier; but the decline has now narrowed to about 2%, owing largely to the later Easter this year. Other results for March include a decline of 11.6% in **chain store sales,** a 15% drop in **variety store sales,** a recession of only 6.5% in **mail order sales,** a 15% decline in wholesale trade, and a 22% drop in manufacturer's sales, below the like month of 1937.

* * *

Railroad gross operating revenues in February were 21% lower than a year earlier, and a net operating deficit was reported for the first time in several years. During the first two months of the current year, no less than 69 Class I carriers failed to meet expenses and taxes. Faced with this crisis, President Roosevelt has dumped the problem into the unreceptive lap of Congress, without recommendations. Rail executives believe that Congress will adjourn without action in the matter, and so are being forced to set in motion the cumbersome machinery for effecting wage reductions. Some economists contend that many of the weaker roads should have been allowed years ago to recapitalize and scale down fixed charges drastically. Most qualified observers believe that additional Government loans at the present time would merely defer the inevitable day of reckoning

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Engineering construction awards during March were 32% above last year, and the largest for any like month since 1930. Practically all of the gain was in private projects, which increased $16,000,000, or 140%, over the like month of 1937. Home mortgages selected for appraisal by the FHA during March totaled $95,000,000, mostly for single family dwellings. Based upon past experience, this should result in the actual expenditure of about $40,000,000 for new construction, and the use of $47,500,000 for refinancing homes already built. Sums earmarked for long-range slum clearance programs to date amount to $255,000,000.

	Date	Latest Month	Previous Month	Last Year
STEEL				
Ingot Production in tons★	Mar.	2,012	1,703	5,216
Pig Iron Production in tons★	Mar.	1,452	1,298	3,459
Shipments, U. S. Steel in tons★	Mar.	572.2	474.7	1,414.4
AUTOMOBILES				
Production				
U. S. and Canada	Mar.	265,000(pl)	202,872	519,022
Total (3 mos.)	1937	695,616(pl)		1,302,108
Retail Sales				
Passenger Cars, U. S. (p)	Mar.	195,000	121,234	363,735
Trucks, U. S. (p)	Mar.	38,000	27,823	60,301
PAPER (Newsprint)				
Production, U. S. & Canada★ (tons)	Mar.	292.5	264.0	383.7
Shipments, U. S. & Canada★ (tons)	Mar.	248.8	225.4	370.0
Stocks, U. S. & Canada★ (tons)	Mar. 31	214.5	170.9	103.9
INVENTORIES (f)				
Manufactured Goods	Feb.	123	122	110
Raw Materials	Feb.	182	192	127
Dept. Store Stocks	Feb.	70	71	76
GENERAL				
Machine Tool Orders (f)	Mar.	107.0	75.7	211.6
Railway Equipment Orders (Ry)				
Locomotive	Mar.	10	17	29
Freight Cars	Mar.	682	109	6,200
Rails (tons)	Mar.	59,025	2,890	......
Cigarette Production†	Feb.	11,492	13,058	12,328
Bituminous Coal Production★ (tons)	Mar.	26,800(pl)	27,000	51,315
Boot and Shoe Production Prs.★	Feb.	29,767	25,523	39,578
Portland Cement Shipments★	Feb.	4,575	4,390	5,160
COMMERCIAL FAILURES (c)	Mar.	1,088	1,071	820

PRESENT POSITION AND OUTLOOK

Sales of **new cars** and trucks during March increased from 20% to 110% over February, the average gain amounting to perhaps 30%. Production, however, is still being held back to reduce field stocks, and it is estimated that sales to consumers exceeded shipments to dealers by 25%. On April first, dealer stocks of new cars averaged a two months' supply, against one month a year ago.

* * *

Machine tool orders in March were 41% ahead of February; but only half the volume booked in March of 1937. Domestic orders gained 4.0% over February; but were 71% under last year. Foreign orders, which were 52% of the March total, increased 109% over February, and were 43% ahead of March a year ago.

* * *

Department of Commerce figures show that **inventories** reached their peak in January and declined moderately during February. The favorable implications of this estimate, however, are somewhat discredited by the circumstance that non-ferrous metal stocks are still mounting, while mill stocks of grey goods now amount to about a five months' supply.

WEEKLY INDICATORS

	Date	Latest Week	Previous Week	Year Ago
ELECTRIC POWER OUTPUT				
K.W.H.†	Apr. 9	1,990	1,979	2,176
TRANSPORTATION				
Carloadings, total	Apr. 9	521,978	523,489	711,079
Grain	Apr. 9	28,781	3[illegible]71	29,241
Coal and Coke	Apr. 9	95,631	77,497	126,930
Forest Products	Apr. 9	22,502	23,814	35,732
Manufacturing & Miscellaneous	Apr. 9	207,184	220,167	316,505
L. C. L. Mdse	Apr. 9	150,613	154,314	173,653
STEEL PRICES				
Pig Iron $ per ton (m)	Apr. 12	23.25	23.25	23.25
Scrap $ per ton (m)	Apr. 12	12.58	12.83	21.42
Finished c per lb. (m)	Apr. 12	2.605	2.605	2.605
STEEL OPERATIONS				
% of Capacity (m)	Apr. 16	32.0	32.5	91.5
CAPITAL GOODS ACTIVITY (m)	Apr. 9	51.7	54.1	87.5
PETROLEUM				
Average Daily Production bbls.★	Apr. 9	3,392	3,367	3,426
Crude Runs to Stills Avge. bbls.★	Apr. 9	3,110	3,145	3,119
Total Gasoline Stocks bbls.★	Apr. 9	92,279	92,924	81,356
Gas and Fuel Oil Stocks bbls.★	Apr. 9	125,190	123,621	94,873
Crude—Mid-Cont. $ per bbl	Apr. 16	1.27	1.27	1.27
Crude—Pennsylvania $ per bbl	Apr. 16	1.75	1.75	2.20
Gasoline—Refinery $ per gal	Apr. 16	.06½-¾	.06½-¾	.07

PRESENT POSITION AND OUTLOOK

Recent developments indicate that the longer range outlook for utilities is far from hopeless. **Electric power output** continues to decline at a somewhat less than normal seasonal rate; and, within the next few years, exchanges of subsidiaries among holding companies should promote operating efficiency and place the industry in a much stronger position.

* * *

The **steel** industry continues to subsist on small miscellaneous orders for prompt delivery. Operating rates rise and fall within a rather narrow range in the process of filling specifications and then slowing down while backlogs build up again. Scrap prices are still receding and yet, in spite of these unsatisfactory conditions, a few companies (including Bethlehem) managed to keep in the black during the first quarter.

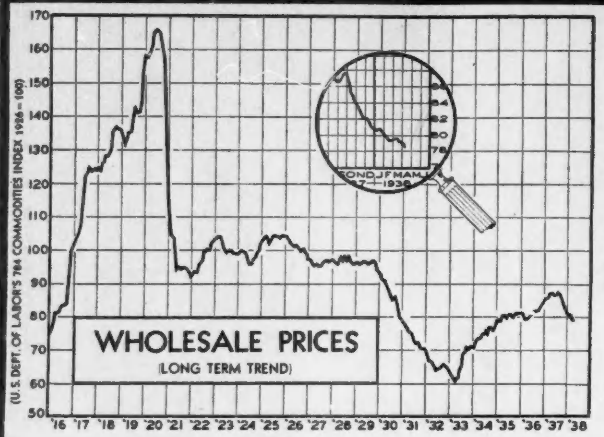
* * *

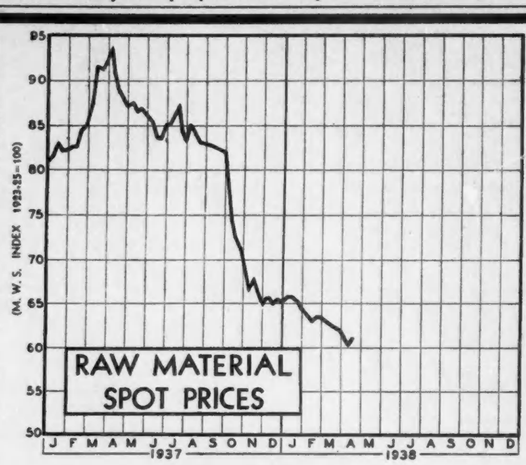
While the advent of spring has brought a moderate decrease in gasoline inventories, **crude oil** stocks above ground are 5% greater than a year ago and still increasing. In consequence there is beginning to be talk of a threatened reduction in crude prices. Several oil companies which operate in California report third quarter profits above last year.

†—Millions. ★—Thousands. (a)—Estimated. (b)—Annalist Index 1928—100. (c)—Dun & Bradstreet's. (cm)—Dept. of Commerce estimates of income paid out. (d)—Nat. Ind. Conf. Bd. 1923—100. (e)—Dept. of Agric., 1924-29—100. (ee)—Dept. of Agric., 1909-14—100. (f)—1923-25—100. (g)—Chain Store Age 1929-31—100. (h)—U.S.B.L.S. 1926—100. (k)—F. W. Dodge Corp. (m)—Iron Age. (n)—1926—100. (p)—R. L. Polk & Co.'s Estimate. (pl)—Preliminary. (s)—Fairchild Index, Dec. 1930—100. (w)—Ward's Estimate. (En)—Engineering News Record. (Ry)—Railway Age.

Trend of Commodities

The gradual downward drift in commodity prices which occurred during the past fortnight was abruptly halted by developments in Washington and a brisk rally carried the price of most commodity futures back to the best levels of early April. The President's latest message to Congress, setting forth plans for a huge spending program, undoubtedly contributed to the upturn. The inflationary implications of the President's program stimulated purchases and prices were further aided by short covering. It is to be doubted, however, that in the present economic setting there is likely to be a sudden and widespread scramble for commodities as inflation hedges—at least for the present. Supply and demand probably will govern prices and it may prove unwise to follow any sharp speculative upturn at this time.





Changes in Major Commodity Price Group for the Fortnight Ended April 9, 1938

Farm Products	68.1	down 1.5	Metals	95.9	down 0.1
Foods	72.2	down 0.9	Building Material	91.2	up 0.5
Hides and leather	92.5	down 1.2	Chemical	77.3	down 0.8
Textiles	67.0	down 0.7	Housefurnishings	88.7	down 0.9
Fuel and Lighting	77.6	down 0.5			

	Date	Latest Wk. or Mo.	Previous Wk. or Mo.	Net Change
COTTON				
Price cents per pound closing				
May	Apr. 14	8.92	8.58	+.34
July	Apr. 14	8.96	8.64	+.32
Spot	Apr. 16	8.95	8.64	+.31
(In bales 000's)				
Visible Supply, World	Apr. 15	8,847	6,530(d)	+2,317
Takings, World, wk. end	Apr. 16	352	333	+19
Total Takings, season to	Apr. 16	13,700	17,059(d)	—3,359
Consumption, U. S.	Mar.	511	428	777(d)
Exports, wk. end	Apr. 15	81.7	126	—44.3
Total Exports, season to	Apr. 15	4,932	4,623(d)	+309
Government Crop Est. (final)	1937	18,934	12,398(d)	+6,636
Active Spindles (000's)	Mar.	22,288	24,640(d)	—2,352
WHEAT				
Price $ per bu. Chi. closing				
May	Apr. 16	84⅛	84⅞	—¾
July	Apr. 16	81¾	81½	+¼
Spot (No. 2 Red c. i. f.) N. Y.	Apr. 16	1.00⅜	1.02⅜	—.02
Exports bu. (000's) wk. end	Apr. 9	647	857(d)	—210
Visible Supply bu. (000's) as of	Apr. 9	47,402	29,888(d)	+17,514
Gov't Crop Est. bu (000's) Winter	Apr. 1	725,707	685,102(d)	+40,605
CORN				
Price cents per bu. Chi. closing				
May	Apr. 16	60¼	60⅜	—⅛
July	Apr. 16	61⅞	61¾	+⅛
Spot (No. 2 Yellow, N. Y.)	Apr. 16	74¾	74⅜	+⅜
Visible Supply (bu. 000's) as of	Apr. 9	43,494	9,710(d)	+33,784
Gov't Crop Est. (bu. 000's)	Dec. 17	2,644,995	1,507,089(d)	+1,137,906

PRESENT POSITION AND OUTLOOK

Cotton. Aided by a rise in the stock market, and later by the Government's spending program, cotton prices have staged a sharp recovery. For the first time in some weeks July cotton sold above 9 cents. Trade sentiment has improved and average daily consumption in March was higher than February. Buying of cotton textiles has recorded good gains.

* * *

Wheat. The excitement generated by reports of large export sales was short lived, and with war news comparatively temperate in tone, wheat prices have been under the spell of the bearish implications of the Government crop report. Government estimates, based on conditions as of April 1, place the winter wheat crop at 725,707,000 bushels, the third largest on record. The crop, however, is not harvested as yet and poor growing conditions are still a possibility. Reports too, of damages to foreign crops are a bullish factor from a domestic standpoint.

* * *

Corn. Firmness continues to favor corn prices. The movement of corn to market continues fairly heavy, despite lighter export shipments. It is still believed, however, that export demand will exceed previous Government estimates of 50,000,000 bushels.

	Date	Latest Wk. or Mo.	Previous Wk. or Mo.	Net Change
COPPER				
Price cents per lb.				
Domestic	Apr. 16	10.00	10.00	None
Export c. i. f.	Apr. 16	9.90	9.55	+.35
Refined Prod., Domestic (tons)	Mar.	61,120	59,393	+1,727
Refined Del., Domestic (tons)	Mar.	33,430	27,389	+6,041
Refined Stocks, Domestic (tons)	Mar.	342,780	326,244	+16,536
Refined Prod., World (tons)	Mar.	169,820	161,350	+8,470
Refined Del., World (tons)	Mar.	158,700	137,466	+21,234
Refined Stocks, World (tons)	Mar.	540,250	529,853	+10,397
TIN				
Price cents per lb., N. Y.	Apr. 16	39.0	39.0	None
World Visible Supply†	Mar.	20,039	18,355	+1,684
Straits Shipments†	Mar.	6,630	5,908	+722
U. S. Deliveries†	Mar.	4,555	4,420	+135
U. S. Visible Supply†	Mar. 31	4,458	5,116	—658
LEAD				
Price cents per lb., N. Y.	Apr. 16	4.50	4.50	None
U. S. Production (tons)	Feb.	34,869	39,196	37,451(d)
U. S. Shipments (tons)	Feb.	30,135	34,923	50,375(d)
Stocks (tons) U. S., as of	Feb. 28	138,134	133,401	156,832(d)
ZINC				
Price cents per lb., St. Louis	Apr. 16	4.00	4.00	None
U. S. Production (tons)	Mar.	43,399	41,146	53,202(d)
U. S. Shipments (tons)	Mar.	33,528	21,540	59,635(d)
Stocks (tons) U. S., as of	Mar.	118,009	108,138	18,183(d)
SILK				
Price $ per lb. Japan xx crack	Apr. 16	1.64-1.69	1.59-1.64	+.05
Mill Dels. U. S. (bales), season to	Mar. 31	286,920	372,120(d)	—95,200
Mill Deliveries U. S. (bales)	Mar.	34,884	30,260	39,934(d)
Visible Stocks N. Y. (bales)	Mar. 31	36,326	43,834	41,731(d)
Visible Stocks, World (bales) as of	Mar. 31	134,426	136,934	146,331(d)
RAYON (Yarn)				
Price cents per lb.	Apr. 16	54.0	54.0	None
Deliveries (a)	Mar.	456	477	693(d)
All Rayon—Month's Supply	Apr. 1	3.3	3.0	0.1(d)
WOOL				
Price cents per lb.	Apr. 16	83.0	82.5	+.5
HIDES				
Price cents per lb. Lgt. Cows (Chic.)	Apr. 16	7¾-8½	7¾-8½	None
Visible Stocks (000's) as of	Feb. 28	15,169	15,407	16,461
No. of Mos. Supply, as of	Feb. 28	10.8	12.1	7.7
RUBBER				
Price cents per lb.	Apr. 16	12½	12⅛	+⅜
Imports, U. S.†	Mar.	35,967	43,930	52,039(d)
Consumption, U. S.†	Mar.	30,487	23,868	54,064(d)
Stocks U. S., as of	Mar. 31	294,024	288,883	191,928(d)
Tire Production (000's)	Feb.	2,212	2,743	5,246(d)
Tire Shipments (000's)	Feb.	2,349	2,490	4,371(d)
Tire Inventory (000's) as of	Feb.	10,833	10,988	12,308(d)
COFFEE				
Price cents per lb. (c)				
May Delivery	Apr. 16	4.15	4.15	None
Imports (bags 000's)	Mar.	1,308	1,284	+24
U. S. Visible Supply (bags 000's)	Apr. 1	1,343	1,347	—3
SUGAR				
Price cents per lb.				
Domestic No. 3 May	Apr. 16	1.95	1.96	—.01
Raw Sugar				
Cuban c. i. f.	Apr. 16	1.98	1.96	+.02
Duty free delivered	Apr. 16	2.88	2.86	+.02
Refined (Immediate Shipment)	Apr. 16	4.50	4.50	None
U. S. Deliveries† (000's)	1st 2 mos.'38	842.4	775.2(d)	+67.2
U. S. Total Stocks†, as of (000's)	Feb. 28	1,587.9	1,486.2(d)	+101.7

PRESENT POSITION AND OUTLOOK

Copper. A further rise in copper stocks in March of 10,397 tons brought the world supplies up to 540,252 tons, the largest since the end of 1934. It is significant, however, that the increase was less than it has been in several months, and in the face of no reduction in production, the fact that stocks did not show a greater rise was due to increased consumption. Foreign consumption in March was the largest on record, and foreign stocks were further reduced. American exports increased 6,350 tons to 11,140 tons.

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Tin. Although the domestic statistical position improved in March, the world statistical position of tin was unfavorable. The second quarter quota is set at 55%, as compared with 70% in the first three months. With the benefit of any improvement in demand prices should firm up.

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Lead. Prices remain firm despite the fact that weekly sales have been running at only 50% of normal. March figures will probably show another increase in stocks. Some improvement in demand looked for in the near future.

* * *

Zinc. Stocks have increased at a more rapid rate than any of the non-ferrous metals and are now the largest since the end of 1934. Prices have been lowered to 4 cents and supplies will continue to weigh on the price structure, until some improvement in consumption is visible.

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Silk. Statistical position improved in March. Consumption by the hosiery industry increased 3,498 bales and was within 1,215 bales of the February figure a year ago.

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Rayon. Shipments of yarn increased 9% in March. Supplies increased moderately but are not burdensome.

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Wool. Consumption has been more encouraging and yarn stocks have been reduced sharply.

* * *

Hides. Inventories have declined and consumption has gained. Prices should stabilize.

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Rubber. Consumption of crude rubber in the United States in March increased 27.7%, but was 43.6% under March a year ago. Stocks again showed an increase. Prices not likely to show much gain in the near future.

* * *

Coffee. Reports have been current that Brazil will place a 30% sacrifice quota on the 1938-39 crop. Supplies, however, will be substantial and prices likely to remain around prevailing lows.

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Sugar. The trade continues to urge lower quotas and on their side have the argument of lagging consumption.

(a)—Expressed in % (1923-25—100). (c)—Wholesale Rio No. 7 N. Y. (d)—Year ago. †—Long tons.

Money and Banking

	Date	Latest Week	Previous Week	Year Ago
INTEREST RATES				
Time Money (60-90 days)	Apr. 18	1¼%	1¼%	1¼%
Prime Commercial Paper	Apr. 18	1%	1%	1%
Call Money	Apr. 18	1%	1%	1%
Re-discount Rate, N. Y.	Apr. 18	1%	1%	1½%
CREDIT (millions of $)				
Bank Clearings (outside N. Y.)	Apr. 2	2,264	2,101	2,901
Cumulative year's total to	Apr. 2	29,624	......	35,004
Bank Clearings, N. Y.	Apr. 2	3,491	3,054	4,521
Cumulative year's total to	Apr. 2	40,205	......	53,594
F. R. Member Banks				
Loans and Investments	Apr. 6	20,831	20,810	22,356
Commercial, Agr., Ind. Loans	Apr. 6	4,275	4,299	......
Brokers Loans	Apr. 6	637	680	1,278
Invest. in U. S. Gov'ts	Apr. 6	7,897	7,778	8,520
Invest. in Gov't Gtd. Securities	Apr. 6	1,168	1,156	1,189
Other Securities	Apr. 6	3,089	3,105	3,274
Demand Deposits	Apr. 6	14,274	14,268	15,160
Time Deposits	Apr. 6	5,222	5,218	5,144
New York City Member Banks				
Total Loans and Invest	Apr. 13	7,599	7,605	8,386
Comm'l Ind. and Agr. Loans	Apr. 13	1,540	1,643	......
Invest. U. S. Gov'ts dir. & gtd	Apr. 13	3,422	3,360	3,548
Demand Deposits	Apr. 13	6,008	6,013	6,300
Time Deposits	Apr. 13	656	649	671
Federal Reserve Banks				
Member Bank Reserve Balance	Apr. 13	7,472	7,296	6,901
Money in Circulation	Apr. 13	6,380	6,394	6,383
Gold Stock	Apr. 13	12,825	12,803	11,697
Treasury Currency	Apr. 13	2,683	2,682	2,541
Treasury Cash	Apr. 13	3,542	3,554	2,876
Excess Reserves	Apr. 13	1,730	1,580	1,630
		Latest Month	**Last Month**	**Year Ago**
NEW FINANCING (millions of $)				
Corporate	Mar.	$245.2	$103.0	$383.7
New Capital	Mar.	126.3	40.8	186.7
Refunding	Mar.	118.9	62.2	197.0
Government	Mar.	1,100	251.0	1,435
Refunding	Mar.	801	200.2	1,135
Addition to Debt	Mar.	299	50.5	300

COMMENT

Any hardening in **money rates** is extremely unlikely. As a result of a reduction of $750,000,000 in excess reserves and the desterilization of $1,400,000,000 in gold, increasing excess reserves to $3,800,000,000, available credit will be greatly in excess of demand for some time to come.

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It is pertinent to note that the action of the **Federal Reserve** Board in releasing $750,000,000 in impounded reserves was taken at a time when excess reserves had increased to a point where they were only about $300,000,000 under the figure at which they were reported prior to the second increase in reserve requirements on March 1, 1937. The most recent figure, $1,730,000,000, was almost twice the amount of excess reserves, after the final increase became effective on May 1, 1937. The reduction in reserve requirements of $750,000,000 will be immediately effective. The proposed desterilization of $1,400,000,000 in gold, however, will add to reserves only as the Treasury spends the funds which will thus be placed to its credit. Faced with the prospect of a substantial increase in idle funds and a steady shrinkage in earnings assets, member banks may be forced to enlarge their purchases of high grade corporate bonds, particularly if the Treasury does not find it necessary to sell additional bonds to finance the spending program. In the week ended April 13, **New York City Member Banks** reported a net decline of $6,000,000 in outstanding credit despite an increase of $65,000,000 in investments. Due principally to a decline of $63,000,000 in brokers loans, all loans were $71,000,000 lower.

* * *

Although **new financing** in March was somewhat larger than in February, the increase was lacking in significance. Unfavorable market conditions continue to present an obstacle to the raising of capital funds, although some improvement may be shown over the next several months.

POSITION OF FOREIGN BANKS

	Apr. 14, 1938	Apr. 15, 1937
BANK OF ENGLAND		
Circulation	£497,248,131	£465,694,083
Public Deposits	17,731,689	22,371,160
Other Deposits	139,946,723	134,818,166
Bankers Accounts	103,951,000	96,897,000
Other Accounts	35,996,000	37,921,000
Government Securities	116,136,165	96,949,933
Other Securities	29,245,673	29,053,215
Discount and Advances	9,598,000	10,120,000
Securities	19,648,000	22,147,000
Reserves	29,983,000	48,878,000
Coin and Bullion	327,231,000	314,572,000
BANK OF FRANCE	Apr. 8, 1938	Apr. 9, 1937
Gold Holdings	Fr.55,806,000,000	Fr.57,358,000,000
Credit Balances Abroad	20,000,000	12,000,000
French Commercial Bills Disc	10,334,000,000	7,601,000,000
Bills Bought Abroad	....	1,153,000,000
Advance Against Securities	3,754,000,000	3,801,000,000
Note Circulation	98,143,000,000	86,297,000,000
Credit Current Accounts	23,573,000,000	18,058,000,000
Temp. Advs. to State	39,553,000,000	20,003,000,000
Gold on Hand to Sight Liabilities	45.85%	54.96%

COMMENT

Business in Great Britain continues disappointing. The normal seasonal rise which occurs in the spring failed this year to appear in significant volume. Particularly unfavorable has been the sharp decline in export trade, while imports, especially products entering into the rearmament program, increased. Orders from South America, for instance were reported to have been off from 30 to 50 per cent. Automobile production schedules have been lowered and building activity continues to decline. Meanwhile sentiment remains disturbed over the possibility of increased taxes or a capital levy to support rearmament activities.

* * *

Tension in France has eased appreciably. Premier Daladier will rule for three months by decree, during which time a concerted attempt will be made to develop a program designed to alleviate France's political and economic difficulties. The Premier's problem is not an easy one but with the united support of all parties much of a constructive nature may be achieved. Foreign trade, both imports and exports, gained in March.

POSITION OF FOREIGN BANKS—Continued

GERMAN REICHSBANK	Apr. 7, 1938	Apr. 7, 1937
Gold and Bullion	Rm.70,772,000	Rm.67,702,000
Of Which Deposits Abroad	20,333,000	18,939,000
Reserve in Foreign Currency	5,297,000	5,763,000
Bills of Exchange & Checks	5,520,113,000	4,728,954,000
Investments	410,358,000	456,533,000
Other Assets	1,359,776,000	762,625,000
Notes in Circulation	5,476,300,000	4,646,106,000
Other Daily Matured Obligations	1,245,067,000	815,645,000
Other Liabilities	209,891,000	174,599,000
Proportion of Gold & Foreign Currency to Note Circulation	1.38%	1.58%

The absorption of Austria is proceeding with customary German efficiency. Whether or not one can endorse the methods employed, they are producing results, at least. Unemployment in Austria is being cut sharply and large public works projects have been planned. The latest Reichsbank statement discloses an increase of 200,000,000 marks in gold and foreign exchange reserves acquired from the Austrian National Bank.

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BANK OF CANADA	Apr. 13, 1938	Apr. 14, 1937
Reserve Gold, Coin & Bullion	$180,697,669	$191,308,000
Silver Bullion	1,575,218	2,430,000
Reserve in Sterl. & U. S. Dollars	21,023,227	14,536,000
Dom. & Prov. Gov't Short Term Securities	116,284,014	50,813,000
Other Dom. & Prov. Securities	41,835,423	102,126,000
Other Securities	12,271,000	....
Note Circulation	154,388,166	127,882,000
Deposits—Dom. Gov't	24,363,726	35,046,000
Chartered Banks	183,432,853	188,333,000
Res. to Note & Dep. Liabilities	55.76%	59.07%

If Canada has not escaped entirely from the effects of the business slump in the United States, it has displayed strong resistance and continues to do so. Major key industries in the first quarter were less active than a year ago, but comparisons were much better than shown by basic industries in the United States. Steel ingot production in Canada, for example, was only 8% under the first quarter of 1937. Wholesale and retail trade are active.

FOREIGN EXCHANGE IN DOLLAR TERMS

Quotations in cents and decimals of a cent except pound sterling which is in dollars and cents.	Demand Apr. 14	Demand Year Ago	Cables Apr. 14	Cables Year Ago
Country and Par				
Great Britain ($8.2397 a sov.)	4.99 5/8	4.90 7/8	4.99 5/8	4.90 7/8
Belgium (16.9502c a belga)	16.88	16.85 1/4	16.88	16.85 1/4
Czechoslovakia (3.51c a crown)	3.48 5/8	3.48 3/4	3.48 5/8	3.48 3/4
Denmark (45.374c a krone)	22.31	21.92 1/2	22.31	21.92 1/2
Finland (4.264c a finmark)	2.21 1/8	2.17	2.21 1/8	2.17
France (par not definite)	3.16	4.46 1/8	3.16	4.46 1/8
Germany (40.33c a mark)**	40.24	40.20	40.24	40.20
Germany, registered (comml.)	19.75	19.85	19.75	19.85
Germany (travel mark)	24.00	23.65	24.00	23.65
Greece (2.197c a drachma)	0.91 3/8	0.90 1/4	0.91 1/2	0.90 1/2
Holland (par not definite)	55.70	54.76	55.70	54.76
Italy (5.2634c a lira)§	5.26 1/2	5.26 1/2	5.26 1/2	5.26 1/2
Norway (45.374c a krone)	25.11	24.67 1/2	25.11	24.67 1/2
Poland (18.994c a zloty)	18.91	19.02	18.91	19.02
Spain (Burgos peseta)†	10.00	8.50	10.00	8.50
Sweden (45.374c a krona)	25.75	25.31 1/2	25.75	25.31 1/2
Switzerland (par not definite)	23.05 1/2	22.82	23.05 1/2	22.82
Yugoslavia (2.981c a dinar)	2.35	2.33	2.35	2.33
Shanghai dollars (unsettled)	27.50	29.85	27.50	29.85
Hongkong dollars (unsettled)	30.90	30.54	30.90	30.54
India (61.798c a rupee)	37.57	37.11	37.57	37.11
Japan (84.39c a yen)	29.11	28.62	29.11	28.62
Sts. Settlements (96.139c a dollar)	58.25	57.70	58.25	57.70
Argentina (71.87c a paper peso)¶	25.70	30.55	25.70	30.55
Argentina (71.87c a paper peso)**	33.30	32.73	33.30	32.73
Brazil (20.25c a paper milreis)**	5.90	6.40	5.90	6.40
Chile (20.599c a gold peso)†	5.19	5.19	5.19	5.19
Colombia ($1.645 a gold peso)**	54.65	56.90	54.65	56.90
Mexico peso (unsettled)x	26.00	27.80	26.00	27.80
Peru (47.409c a sol)†	24.50	26.00	24.50	26.00
Uruguay ($1.751 a gold peso)¶	42.00	56.00	42.00	56.00
Uruguay ($1.751 a gold peso)**†	65.70	78.50	65.70	78.50
Venezuela (32.67c a bolivar)¶	31.00	28.60	31.00	28.60
Venezuela (32.67c a bolivar)**	31.62 1/2	.....	31.62 1/2	.....

COMMENT

All foreign exchange markets were prompt to recognize the inflationary implications of President Roosevelt's spending program, involving gold desterilization and lowered bank reserves. The dollar was placed under considerable pressure, the extent of which may be measured by the fact that there was not a single free currency which did not rise in terms of the dollar. The intervention of stabilization funds was necessary to restrain the rise in sterling and francs. The Easter holidays gave financial interests throughout the world a breathing spell, during which the fuller significance of recent developments in the United States might be appraised. Should it be the concensus of foreign opinion that the United States is about to embark upon a program of unrestrained inflation, it appears certain that gold will move out of the country. Initially, however, the outgoing movement of funds may be confined mainly to a shifting of bank deposits rather than the liquidation of foreign-owned securities.

* * *

The combined impetus of the foregoing developments in the United States and an abrupt turn for the better in the French political situation brought about a strong demand for francs, in which short covering was conspicuous. It is believed unlikely, however, that there will be heavy repatriation of French capital held abroad, at least until the measures to be proposed by the Daladier government are more definitely known. While recent developments in France are hopeful, French capital may prefer to remain cautious until it can be ascertained whether or not government by decree is something more than a temporary expedient.

†—Nominal quotations. ¶—Free rate. **—Official rate. x—Offering rate. §—Travel lira 4.75c.

Security Statistics

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

1937 Indexes High	1937 Indexes Low	No. of Issues (1925 Close—100)	1938 Indexes High	Low	April 2	April 9	April 16
122.0	54.3	330 COMBINED AVERAGE	65.9	44.2	46.3	52.6	54.9
253.3	111.4	5 Agricultural Implements	130.9	95.8	99.7	113.0	115.1
72.6	34.0	6 Amusements	41.4	24.7	27.1	30.5	31.9
146.6	52.1	16 Automobile Accessories	70.6	44.3	45.5	54.2	56.5
30.1	8.9	12 Automobiles	12.4	7.9	8.2	9.3	9.7
178.0	73.4	9 Aviation (1927 Cl.—100)	109.6	75.2	80.9	90.6	99.8
28.5	9.3	3 Baking (1926 Cl.—100)	12.7	8.9	9.6	10.8	11.0
308.6	135.4	3 Business Machines	159.6	120.2	120.2L	135.6	138.5
247.7	132.6	9 Chemicals	157.7	113.0	115.5	132.3	135.0
88.3	32.9	18 Construction	39.3	25.6	27.3	33.5	35.3
361.0	193.4	5 Containers	222.5	174.0	177.7	193.5	199.0
217.3	75.3	9 Copper & Brass	102.0	60.0	64.0	75.4	84.8
43.0	24.5	2 Dairy Products	28.0	23.1	24.8	24.0	24.4
42.7	15.2	9 Department Stores	18.7	12.2	13.3	15.2	16.1
108.8	45.2	9 Drugs & Toilet Articles	55.0	40.1	42.1	46.3	46.2
388.4	182.6	2 Finance Companies	219.4	158.1	160.6	173.8	189.1
71.9	37.5	7 Food Brands	44.5	33.3	34.2	37.8	38.9
53.2	25.9	4 Food Stores	30.2	21.5	21.5R	24.0	24.5
122.3	46.4	4 Furniture & Floor Covering	57.4	36.9	39.1	44.2	47.4
1160.6	894.0	3 Gold Mining	1204.8	953.7	971.6	1013.0	1059.0
58.6	25.8	6 Investment Trusts	29.9	21.1	22.1	24.5	26.6
317.8	167.2	4 Liquor (1932 Cl.—100)	194.2	141.8	149.1	163.3	165.6
209.8	97.8	9 Machinery	114.5	77.6	79.1	91.3	96.4
104.3	53.8	2 Mail Order	63.0	49.1	49.9	56.9	61.2
109.6	47.5	4 Meat Packing	55.3	36.5	38.4	43.3	44.2
334.1	138.6	15 Metals, non-Ferrous	177.9	118.8	122.0	139.2	149.0
26.5	7.4	2 Paper	9.7	5.8	6.1	7.4	8.2
158.8	90.8	23 Petroleum	104.3	76.2	81.1	90.1	96.0
114.9	50.5	18 Public Utilities	60.0	38.8	41.5	46.2	46.5
31.7	13.3	4 Radio (1927 Cl.—100)	16.9	10.7	11.2	13.6	13.8
12.9	37.7	9 Railroad Equipment	48.3	28.2	30.7	35.9	38.1
48.6	16.2	23 Railroads	18.6	10.8	11.4	13.0	13.0
28.5	6.9	3 Realty	9.2	4.7	5.7	6.9	7.3
87.6	34.9	3 Shipbuilding	62.6	36.1	40.2	45.7	48.5
165.6	69.6	13 Steel & Iron	85.8	55.8	58.1	66.7	69.2
45.2	21.6	6 Sugar	25.7	18.5	18.7	20.1	21.0
171.2	118.6	2 Sulphur	147.3	118.6	122.4	138.1	143.7
85.3	43.2	3 Telephone & Telegraph	50.2	37.6	39.3	45.0	45.7
91.8	35.3	7 Textiles	42.9	27.9	27.9L	33.1	35.1
29.2	10.7	4 Tires & Rubber	14.2	10.3	10.4	11.6	12.3
99.4	68.3	4 Tobacco	75.9	63.8	64.4	69.6	71.8
71.9	20.6	5 Traction	31.2	15.6	19.3	20.2	20.1
346.8	157.7	4 Variety Stores	189.1	146.0	153.3	168.2	168.0
.....	.....	22 Unclassified 1937 Cl.—100)	122.0	84.7	86.1	97.2	103.4

L—New LOW since 1936. R—New LOW record since 1928.

DAILY INDEX OF SECURITIES

	N. Y. Times 40 Bonds	Dow-Jones Avgs. 30 Indus.	Dow-Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, April 4	64.91	105.58	21.24	76.80	76.15	687,060
Tuesday, April 5	65.32	108.36	21.45	77.93	75.66	687,610
Wednesday, April 6	64.87	106.29	20.80	77.24	75.72	475,760
Thursday, April 7	64.84	105.93	20.80	76.41	74.76	330,850
Friday, April 8	65.11	109.57	21.71	78.54	76.17	828,290
Saturday, April 9	65.84	115.32	22.75	82.76	80.45	1,414,480
Monday, April 11	65.88	112.93	22.48	82.53	79.93	1,100,254
Tuesday, April 12	65.68	113.88	22.40	80.87	79.13	600,300
Wednesday, April 13	65.44	114.85	21.61	82.04	80.13	641,220
Thursday, April 14	65.29	116.82	21.39	82.49	79.85	1,009,480
Friday, April 15			Exchange Closed			
Saturday, April 16	65.70	121.00	22.00	84.98	84.77	1,057,860

STOCK MARKET VOLUME

Week Ended April 16	Week Ended April 9	Week Ended April 2
4,409,114	4,424,050	7,372,510
Total Transactions Year to April 16	Same Date 1937	Same Date 1936
71,966,404	178,067,356	201,098,443

COMMENT

In a setting, where practically all of the component industrial groups of our Price Index made new lows in one week, and where a considerable number of stocks were selling below their net quick asset values, the Congressional revolt against the New Deal, combined with the announcement of renewed pump priming projects, had stimulating, although perhaps transitory effect upon the market. Our Combined Average of 330 of the most active listed stocks has advanced ten points, or 22%, from the extreme low touched during the week ended March 26.

* * *

Sharp as this rebound has been, the market has recently run true to technical form in taking three weeks to recover what had been lost in two weeks. Declines are almost always swifter than advances. By April 16, our Combined Average had recovered to about the level of March 12. The latter may be taken as a convenient "bench mark" for measuring the comparative technical strength or weakness of various industrial subgroups on the recovery—a hitherto unpublished method of market analysis which our readers may find it profitable to pursue farther.

* * *

Among groups which, by April 16, had recovered to a level moderately higher than their March 12 bench marks are Automobiles, Baking, Construction, Department Stores, Meat Packing, non-Ferrous Metals, Paper, Petroleum, Realty, Telephone & Telegraph; while Aviation, Copper, Investment Trusts, Mail Order, Sulphur and Tobacco displayed exceptional technical strength. Strength in most of these groups has been commented upon repeatedly in this column; but Automobiles, Baking, Department Stores, Petroleum, Investment Trusts, and Tobacco have only recently turned stronger than the general market, and will be worth watching from now on.

* * *

Baking stocks, as a group, enjoyed fairly satisfactory earnings during the first quarter. Investment Trusts exhibited the benefits of "leverage" working in the right direction. Department Stores are discounting the ex-expected expansion in sales to result from disbursement of Uncle Sam's huge pump priming bonus to consumers.

* * *

Groups which have thus far failed to reach their March 12 bench mark include Agricultural Implements, Dairy Products, Drug & Toilet Articles, Food Stores, Gold Mining, Machinery, Public Utilities, Railroad Equipment, Railroads, Sugar, Textiles and Traction. Comparison of the two lists discloses that the strongest groups are generally those which are expected to profit by inflation, while the weakest would be injured by inflation.

Two Sulphur Companies Compared

Favorable Yields Afforded

BY GEORGE L. MERTON

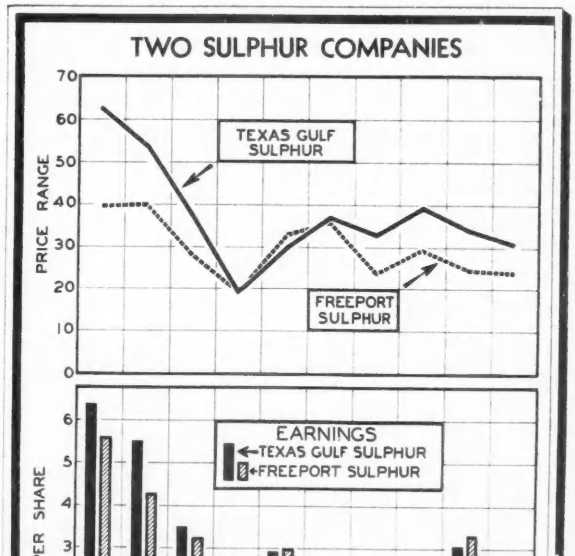
DURING late 1936 and early 1937, when business men were worried over increasing costs of raw materials, the natural tendency was to load up ahead of the rising market. Higher prices on larger inventories meant profits over and above the normal operating margins. The result of this forward buying was to throw out of focus the earning power not only of the manufacturers but also of the raw material producers, who were benefitted by the simultaneous jumps in price and volume. Since then the process has been reversed, with huge stocks accumulated during rising markets holding back the regular flow of buying, weakening prices, and contributing to the impulse to work down inventories at any cost.

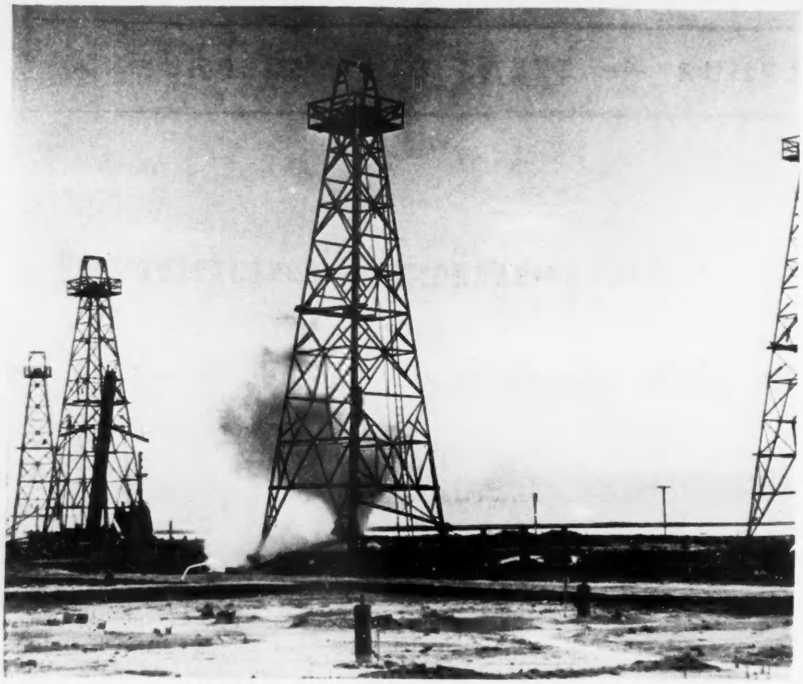
At least one commodity, however, and one of the most widely used, has been bought almost entirely as needed, at a price unaffected by fluctuations in demand. There was no need to build up supplies of sulphur a year ago in anticipation of a rising price, nor is there any need to reduce inventories of this commodity now in fear of a drop. Although the sharp drop in manufacturing activity left some consumers with larger stocks than they ordinarily carry, this situation is one which corrects itself without strain.

Sulphur has sold at $18 a ton for the past dozen years, through booms and depressions. It is easily and cheaply stored at the mine, thereby lessening the pressure toward price concessions during declines in demand; as sulphuric acid it is expensive to store in the hands of consumers, strengthening the desire to keep factory inventories low. The same factors, in other words, which prevented soaring earnings and stock prices for the two sulphur producers a year ago are now operating to prevent similarly violent declines.

Relative stability of this kind does not mean that Freeport Sulphur and Texas Gulf Sulphur will be able to maintain their earnings and dividends regardless of what happens to general industry. But it does offer a reasonably good basis for comparing the drop in the market prices of these issues with the extent of the current decline in their earnings, and with the outlook for the companies over the balance of the year.

Roughly speaking, Freeport supplies somewhat under one-third and Texas Gulf somewhat under two-thirds of the country's raw sulphur requirements. Both companies use the Frasch process in getting the element above ground, a process to which must be credited the fact that the United States has become the world's lowest-cost producer. The tremendous domes of 99½ per cent pure sulphur lying below sand or marsh in Louisiana and Texas are tapped by means of concentric pipes, one sending super-heated water down hundreds of feet to melt the sulphur, another compressed air to force the liquid up, and the third carrying it to the surface where





Sulphur Wells look singularly like Oil Rigs.

it cools and solidifies. Storage problems are non-existent, for the masses of sulphur lying out in the open are impervious to the weather and unaffected by time.

Of the sulphur shipped from Louisiana and Texas, two-thirds is used to make sulphuric acid. A comparison of the production of this acid with an index of general business activity shows a very close parallel, with sulphuric acid production tending to gain relatively over a period of time. Thus, using the years 1923-25 as a base, the Federal Reserve Board Index of Production (Manufactures) was 117 in 1929, while sulphuric acid production figured on the same base was 127. In 1932 the Reserve Board Index stood at 62 and sulphuric acid production at 67. Then in 1937, when the business index reached 109, acid production rose to 133.

Estimates of Chemical & Metallurgical Engineering place sulphuric acid production for last year at 8,763,000 tons, as compared with 8,338,000 tons in 1929. Not quite 30 per cent was used by fertilizer makers, with the petroleum industry next in importance, although gradually reducing its consumption in relation to its volume of output. Most significant from the sulphur companies' point of view were the gains in the use of the acid by the rayon and paint manufacturers, as well as by the chemical industry generally. Rubber, steel, paper, film, and numerous other articles continue to utilize sulphur in one or several forms, but the largest consumer is still the farmer, who requires it both as a fertilizer and as an insecticide.

Against the demand from all consumers for sulphur, Freeport and Texas Gulf maintain large supplies above the ground, ready to ship. The latter company's stocks on hand at the year-end were carried on the books at a cost of $13,627,816, while Freeport's sulphur inventories were grouped with supplies at a cost of $4,941,371. The stockholder's stake in sulphur above the ground is actually greater in Freeport, however, since this company has a smaller number of shares outstanding. Figured on a per share basis, sulphur and supplies are carried at $3.67 per share for Texas Gulf and $6.20 per share for Freeport.

This difference in capitalization provides the principal contrasts between the two companies. Freeport has only 796,380 shares of common stock outstanding, a small preferred issue having been recently retired, against a total of 3,840,000 common shares for Texas Gulf. The respective net incomes for 1937 of $2,703,-742 and $9,853,014 work out to $3.30 per share for Freeport and $3.02 per share for Texas Gulf. Thus, although Texas Gulf sold very nearly twice as much sulphur last year as Freeport, and turned two and a half times as large a percentage of its gross revenues into net profits, the latter company reported the larger earnings per share.

The accompanying table brings out the disparities between the two enterprises in operating costs and profit margins. Only 17 cents of each dollar of sales revenue was turned into net profit by Freeport last year, against 44 cents by Texas Gulf. The explanation is that Freeport pays out a substantial proportion of its earnings as royalties on its leased sulphur deposits. The Hoskins mound at Freeport, Texas, is operated under a lease which gives the Texas Corp. 70 per cent of the profits, while earnings from the deposit at Grande Ecaille, Louisiana, are divided with three oil companies having an interest in the land. The principal deposits of Texas Gulf are the Boling and Long Point domes, both in Texas. This means that in addition to less burdensome royalties, the latter company is subject to the Texas tax on production of $1.03 a ton, against the tax of $2 a ton levied by Louisiana on Freeport's production in that state. Furthermore, the Grande Ecaille project has presented many engineering difficulties, adding to the cost of

Disposition of each dollar of sales revenue in 1937

	Freeport	Texas Gulf
Freight and handling	$.090	.....
Operating costs	.613	.....
Total operating and delivery costs	.703	$.389
Administrative, selling and general expenses	.054	.054
Depreciation, depletion, amortization, prospecting and contingencies	.054	.067
Federal and State income and capital stock taxes	.019	.052
Net income	.170	.438
	$1.00	$1.00

operations. After much struggling with the peculiar formations below ground which required expensive and drawn-out experiments for the solution, Freeport finally has the deposit obeying orders. Last year it produced 14 per cent of the nation's sulphur.

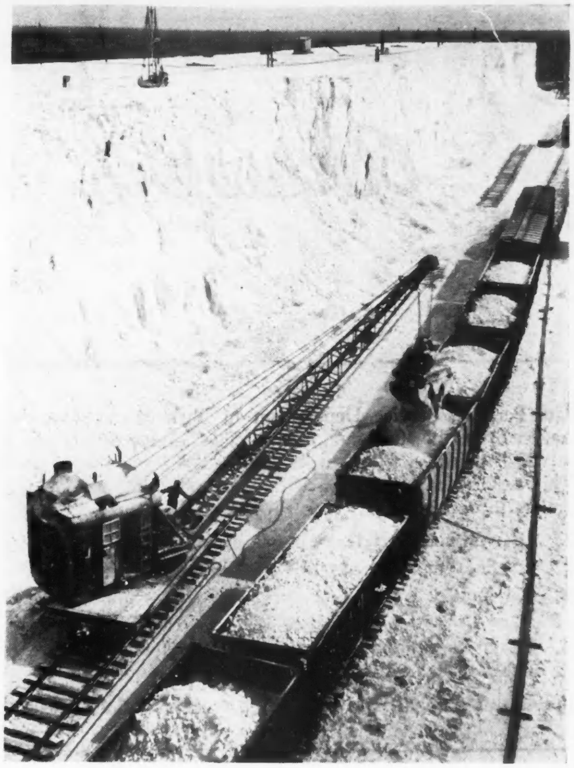
Texas Gulf obtained its main deposit from the Gulf Oil Co., giving in exchange 1,300,000 shares of its own stock and $650,000 in cash. This placed Texas Gulf in a strong operating position, but greatly increased the amount of stock outstanding. In effect, the company is giving slightly over a third of its net income to the Gulf Oil Co. in dividends or in added asset value, rather than in the form of royalties. As compensation, Texas Gulf has reserves calculated to last many years at the present rate of production.

Freeport, on the other hand, is able to make a good showing for its stockholders on half the volume of business and 40 per cent as wide a profit margin. The small amount of stock outstanding also makes for somewhat more sensitive market action. Another interesting feature in the Freeport situation is the 90 per cent ownership of Cuban-American Manganese Corp., which has until recently been an unprofitable holding. Last year, however, this subsidiary earned $302,000, aiding the parent company income to the extent of 38 cents a share. Directly dependent upon the rate of steel production, the manganese subsidiary may disappoint this year, but it remains a potentially valuable holding.

The two sulphur companies are both very well supplied with working capital. Freeport's current assets amounted to $12,249,392 at the year-end, as compared with current liabilities of $3,210,064. Among the current assets was $6,365,160 in cash, equal to approximately $8 per share of common stock. Since then 12,301 shares of preferred stock have been called at 103, thus reducing working capital, but leaving it still impressively large. On the liability side of the balance sheet appears a reserve for contingenies of slightly over half a million dollars, and common stock and surplus accounts totalling $16,732,000. The book equity is equal to $21.68 per share of common stock.

The Texas Gulf Sulphur balance sheet lists $14,146,426 of current assets, to which should be added $15,438,840 of inventories of sulphur above ground and materials and supplies, shown as separate items. Cash and U. S. Treasury notes amount to $12,015,615, or $3.13 per share. Carrying land, rights, developments and processes at an amortized cost of $28,119,409, and buildings and equipment at a depreciated cost of $5,400,986, the book equity of the common stock is calculated at $15.52 per share. Comparison of the book value of the two issues would be misleading, however, as a guide to the relative values, since these figures are entirely artificial ones for bookkeeping purposes.

The most casual glance at the current position of these two companies gives proof that they can, if they wish, pursue very generous dividend policies. The record bears this out, neither having omitted payments during the last depression. Freeport's low point since 1929 was touched in 1935 and 1936, when dividends totaled $1 annually. Aside from payment of $1.25 in 1933, Texas Gulf has maintained a minimum of at least $2 annually. Last year this company paid $2 regular plus a 75-cent extra, while Freeport made two 25-cent



Pictures in this article by courtesy of Freeport Sulphur Co.

Huge mounds of Sulphur awaiting shipment to all parts of the world.

payments and two 50-cent payments, placing the stock on a regular $2 annual basis in the latter part of the year.

Indications are that Freeport earned its 50-cent dividend in the first quarter, with perhaps five cents to spare. Texas Gulf, however, probably failed to cover its regular dividend by about the same or a trifle larger margin. Shipments were close to 20 per cent below those of a year ago, with exports holding up well and partially cushioning the drop in domestic sales. Business in March, although considerably below last year's, registered a sizeable gain over February. On a seasonal basis, the second quarter may be expected to be more active than the first, even in this year of uncertainties, so that neither dividend rate is in any immediate danger.

It is interesting to note in this matter of dividend payments that whereas Freeport earned $3.30 per share in 1937 and paid out $1.50, while Texas Gulf earned $3.02 and paid out $2.75, neither company was forced to pay any tax on undistributed profits. This means that in the case of Freeport at least, which paid less than half of reported earnings in dividends, the income tax return showed larger charges of some sort against earnings than the report to stockholders.

One change which may be expected to help Freeport if it occurs is the possible lowering of the Louisiana severance tax on sulphur production. Having jumped the tax from 60 cents to $2 a ton, the State laid itself open to the charge of discouraging business enterprise within its borders, particularly since the Texas tax remained at $1.03 per ton. Political and business leaders have since made known their *(Please turn to page 62)*

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities*.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope*.
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your inquiry.

Special rates upon request for those requiring additional service.

Cutler-Hammer, Inc.

Among the few securities I continue to hold is Cutler-Hammer, as I regarded it one of the better semi-speculative issues. Now, when it has passed its dividend, I am wondering if it will do well in any market improvement.—A. O., Cleveland, Ohio.

Companies manufacturing electrical equipment are in the first group to feel a decline in business activity and the current business recession has undoubtedly adversely affected the earnings of Cutler-Hammer, Inc. For the year ended December 31, 1937, earnings amounted to $1.93 per common share, against $1.99 per share a year earlier. At present, there are only 659,998 shares of capital stock outstanding and the company has no preferred stock or funded debt outstanding. While companies like Cutler-Hammer are the first to feel the effects of a business recession, they are also among the first to reflect the uptrend in industrial activity. Therefore, while the immediate prospects indicate lower earnings, we take an optimistic attitude toward the shares over the longer term. The possibilities of electrification in industry, in order to obtain greater safety and speed, as well as more satisfactory all-around efficiency, can readily be appreciated. In addition, the program of rural electrification which made over half a million farm homes into new customers last year, will mean constant broadening of the field in that direction. Furthermore, the success of the new F H A plan for reviving the building industry would bolster the demand for electrical equipment, even if a general business revival should fail to accompany a building boom. During 1937 Cutler-Hammer paid $2.25 per share on its capital stock, and in addition paid a stock dividend of one share for each share held. It must be remembered, however, that $2 of this was paid prior to the splitup, thus bringing disbursements on the present capitalization down to $1.25 per share. We can readily understand your skepticism as to the investment merits of the company over the near-term. However, given any reversal in the general business picture, earnings of Cutler-Hammer should show substantial improvement and allow satisfactory disbursements on the capital stock. In our estimation, the stock should be retained for possible price appreciation over the longer term.

R. J. Reynolds Tobacco Co.

I have held Reynolds Tobacco "B" for seven years and thought highly of its dividend record throughout the depression—but with the industry facing higher costs, a decline in consumption, and competition from the ten-cent brands if prices are advanced, I would like to know how secure dividends are? —M. P., Dallas, Texas.

For the year ended December 31, 1937, R. J. Reynolds Tobacco Co. reported earnings on their combined common and Class "B" stock equal to $2.82. This compares with earnings on the like stock of $2.93 for the year of 1936. During 1937, $2.85 per share was paid in the way of dividends, breaking the $3 dividend rate which has been in force since 1929. Due to expected higher tobacco costs for 1938, earnings will probably decline moderately from those reported during 1937. However, during 1937 consumption of Camels increased approximately 6% and we anticipate only a slight decrease in this volume of business during the current year. Furthermore, the company will probably instigate economies in advertising to meet higher material and increased competition. Thus, consumption over the year should be relatively well maintained and if the economies are successful, earnings should be only slightly less than those of 1937. It must be remembered that there is little fluctuation in the demand for cigarettes.

(*Please turn to page* 57)

When *Quick* Service Is Required, Send Us a Telegram Prepaid and Instruct Us to Answer Collect.

New York Stock Exchange

Rails

	1936		1937		1938		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	4/13/38	Share
Atchison	88½	59	94¾	32⅞	48	22¼	25⅛	‡2.00
Atlantic Coast Line	49	21⅝	55½	18	27⅜	14	17	‡1.50
B								
Baltimore & Ohio	26½	15⅞	40½	8⅛	10⅞	4	5¾	....
Bangor & Aroostook	49½	39	45	30	34	29	31	2.50
C								
Canadian Pacific	16	10⅞	17½	6⅞	8⅛	5	5⅞	....
Chesapeake Corp.	100	59	90½	40	48½	27⅛	34	....
Chesapeake & Ohio	77¾	51	68⅞	31	38½	23⅛	28¼	†1.25
Chicago Gt. Western Pfd.	14⅝	4	18¼	3	5⅜	2⅜	3½	....
C. M. & St. Paul & Pacific	2⅞	1½	3¼	⅝	1	½	¾	....
C. M. & St. Paul & Pacific Pfd	5⅞	2⅞	7¼	1⅛	1⅞	¾	1⅛	....
Chicago & North Western	4⅞	2½	6⅜	⅞	1¾	¾	1¼	....
Chicago, Rock Is. & Pacific	3	1½	3⅝	¾	1¼	⅝	⅞	....
D								
Delaware & Hudson	54¾	36¾	58⅜	13	17⅞	7½	9	....
Delaware, Lack. & West	23⅛	14⅞	24½	5	8½	4	5⅝	....
E								
Erie R. R.	18¼	11	23⅝	4¼	6¼	2	2½	....
G								
Great Northern Pfd.	46⅜	32¼	56¾	20½	26¼	12⅜	15¾	‡2.00
I								
Illinois Central	29½	18⅝	38	8	12¼	6⅛	7¾	....
K								
Kansas City Southern	26	13	29	5	9¾	5⅛	7⅞	....
L								
Lehigh Valley	22	8½	24⅝	4¼	6¾	3	4¼	....
Louisville & Nashville	102⅜	57½	99	48½	56½	30⅛	33	†2.50
M								
Mo., Kansas & Texas	9⅝	5½	9¾	2	2⅜	1½	2⅛	....
Mo., Kansas & Texas Pfd., A	33⅜	14½	34⅝	5⅛	11⅛	4¾	6¼	....
Missouri Pacific	4	2⅛	6¼	1¼	2⅜	¾	1⅛	....
N								
New York Central	49⅝	27¾	55¼	15⅛	19⅞	10	12⅛	....
N. Y., Chic. & St. Louis	53⅛	17¾	72	14	22½	7	11⅛	....
N. Y., N. H. & Hartford	6⅛	3	9¾	2	2¾	1¼	1⅝	....
Norfolk & Western	310½	210	272	180	198	135	145	*10.00
Northern Pacific	36¾	23⅞	36⅝	9⅞	12⅜	6⅜	8⅛	....
P								
Pennsylvania	45	28¼	50¼	20	24½	14⅛	17⅛	....
R								
Reading	50¾	35½	47	18⅛	22	12¾	16	2.00
S								
St. Louis-San Fran	3⅝	1½	4¾	1	1¼	¾	⅞	....
Southern Pacific	47⅞	23½	65⅜	17	22⅛	9¼	11¾	....
Southern Railway	26½	12¾	43⅜	9	14¾	5½	7¼	....
T								
Texas & Pacific	49	28	54¼	15⅝	24½	13	16	....
U								
Union Pacific	149¾	108½	148¾	80	88½	55⅜	62½	6.00
W								
Western Maryland	12⅛	8⅛	11¾	2⅝	4½	2⅝	3½	....
Western Pacific	4	1⅞	4¾	1	1⅝	½	1	....

Industrials and Miscellaneous

	1936		1937		1938		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	4/13/38	Share
Air Reduction	86½	58	80¼	44½	58¼	40¼	44½	*1.00
Alaska Juneau	17½	13	15¾	8	13⅜	8¾	9⅞	* .60
Allegheny Steel	40⅜	26⅞	45⅝	13	21¾	11⅝	16⅛	....
Allied Chemical & Dye	245	157	258½	145	176½	124	142½	6.00
Allied Stores	20⅛	6¾	21⅞	6⅛	9⅜	4½	6¼	....
Allis Chalmers Mfg	81	35⅜	83½	34	51¾	34½	41⅛	....
Amerada	125½	75	114⅞	51½	72½	57	63a	2.00
Amer. Agric. Chemical (Del.)	89	49	101½	53½	66	49	55½	†1.25
Amer. Bank Note	55½	36	41⅜	10	15⅞	10	12¾	† .50
Amer. Brake Shoe & Fdy	70¼	40	80¾	28	42½	23¼	31½	† .25
Amer. Can	137½	110	121	69	91½	70¾	86	4.00
Amer. Car & Fdy.	60½	30	71	15¼	27½	12⅝	18½	....
Amer. & Foreign Power	9¾	6½	13¾	2½	4⅜	2¼	3	....
Amer. Power & Light	14⅜	7½	16½	3	7⅛	3¼	4⅛	....
Amer. Radiator & S. S.	27⅜	18¾	29½	9¼	14¼	9	11⅞	.60
Amer. Rolling Mill	37	23¾	45¼	15½	22⅞	13⅛	17⅜	....
Amer. Smelting & Refining	103	56¾	105¾	41	56¾	28⅛	36¾	†1.25
Amer. Steel Foundries	64	20½	73¼	22½	34¾	15⅝	21¼	† .25
Amer. Sugar Refining	63⅝	48¼	56⅞	24	31	21½	25½	2.00
Amer. Tel. & Tel.	190⅛	149½	187	140	149¾	111	127¼	9.00
Amer. Tob. B	104	88½	99⅞	58¾	72¾	58¾	70½	5.00
Amer. Water Works & Elec.	27¾	19⅛	29½	8	13½	6	7¾	....
Amer. Woolen Pfd.	70¾	52¾	79	25¼	35¾	23⅝	30	....
Anaconda Copper Mining	55⅜	28	69½	24½	36¾	21⅝	27⅞	† .25
Armour Co. of Ill.	7⅜	4⅝	13¾	4⅝	6⅞	3⅞	5	....
Atlantic Refining	35⅛	26⅝	37	18	24	17¾	20⅛	1.00
Aviation Corp. Del.	7¾	4⅝	9¼	2¼	4⅝	2½	3⅛	...
B								
Baldwin Loco. Works	....	....	23¾	5	10¾	5	7⅝	....
Barber Co.	38½	21	43⅜	10⅛	19	12⅛	16	....
Barnsdall Oil	28¼	14⅛	35¼	10	16⅜	10⅛	12¾	1.00
Beech-Nut Packing	112	85	114¾	90¾	103⅞	94½	97	*4.00

Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1936 High	1936 Low	1937 High	1937 Low	1938 High	1938 Low	Last Sale 4/13/38	Div'd $ Per Share
B								
Bendix Aviation	32⅜	21⅝	30½	8¼	14⅞	8⅝	11½	....
Best & Co.	72	48	62¾	29	40½	26⅞	32	†1.52½
Bethlehem Steel	77¾	45¾	105½	41	65⅞	40	48½	....
Black & Decker	34½	28¾	38	13¼	17⅞	9¾	13½	....
Boeing Airplane	37⅜	16⅞	49¾	16	35½	20¼	25¾	....
Borden Co.	32⅜	25⅝	28	16	19⅝	15⅝	16⅜	1.60
Borg Warner	....	....	50⅝	22¾	28½	16½	22	....
Bridgeport Brass	18⅞	12⅛	23¼	7	10⅞	5⅜	7⅞	....
Briggs Mfg.	64⅞	43¼	59⅞	18	26¼	12¾	18½	....
Brooklyn-Manhattan Transit	58¼	40¼	53	7	13⅜	5⅜	8	....
Bucyrus Erie	21¾	8⅞	25¼	6½	9¾	5⅞	7⅝	....
Budd Mfg.	15⅞	9⅛	14⅜	2¼	6⅜	3¼	4¾	....
Byers & Co. (A. M.)	29⅛	16½	33¾	6	11⅜	6	8½	....
C								
Calumet & Hecla	16½	6	20⅛	4	10¼	5¼	7¼	....
Canada Dry Ginger Ale	30¾	10⅜	38¼	9½	19¾	12⅛	14¼	....
Case, J. I.	186	92½	196¾	80	97½	62½	73⅛	....
Caterpillar Tractor	91	54¾	100	40	55½	29⅝	40	† .50
Celanese Corp	32¼	21¾	41¼	13	18⅞	9	13¾	....
Cerro de Pasco Copper	74	47¾	86⅜	34¾	46½	26¼	34¾	†2.00
Chrysler Corp	138¾	85½	135¼	46⅛	63⅛	35⅜	44⅝	....
Climax Molybdenum	....	....	41	24½	41	32½	37	† .30
Coca-Cola Co	134	84	170½	93¾	125	105½	119½	† .50
Columbian Carbon	136½	94	125¾	65	76	53¾	63⅛	4.00
Colum. Gas & Elec.	23⅜	14	20⅞	4⅝	9⅝	5⅛	5⅝	....
Commercial Credit	84⅞	44	69¼	30⅜	38¾	23	30	4.00
Comm. Inv. Trust	91¾	55	80¼	34	44¾	31½	35¼	4.00
Commercial Solvents	24⅝	14¼	21¼	5	10	5⅞	7¼	.60
Commonwealth & Southern	5½	2¼	4⅛	1	2	1	1¼	....
Consolidated Edison Co.	48⅜	27¼	49⅞	21⅛	25⅞	17	19½	† .50
Consol. Oil	17¼	11½	17⅞	7	10½	7	8¾a	.80
Container Corp	26¼	15¾	37⅜	10¾	16⅜	9⅞	12	1.20
Continental Baking, A	35⅜	10⅜	37¾	7½	16½	8⅝	12	....
Continental Can	87¼	63¾	69⅛	37½	45¾	36½	39	†1.00
Continental Oil	44⅞	28⅛	49	24	34⅜	21¼	27⅜	† .25
Corn Products Refining	82½	63⅝	71¼	50½	65½	53	59½	3.00
Crane Co.	50½	24	56½	22½	29¼	19	27½	....
Crown Cork & Seal	91½	43⅝	100⅞	28¼	39⅞	22¼	29½	† .50
Curtiss-Wright	9¼	4	8⅜	2	5¼	3¼	4⅜	....
Curtiss-Wright, A	21⅞	10½	23¾	8⅛	18⅜	12⅝	16⅝	....
Cutler-Hammer	....	....	27	18¼	24¼	13¼	17¾	....
D								
Deere & Co.	....	....	27	19½	25¼	17⅜	20¾	....
Distillers Corp. Seagrams	34⅝	18¼	29	10	16	11	13¾	†.50
Dome Mines	61½	41½	57¼	35	60⅜	46¾	51	†2.00
Douglas Aircraft	82¼	50⅝	77¼	26½	46¼	31	39¼	....
du Pont de Nemours	84¾	133	180⅛	98	123⅜	90½	102½	† .50
E								
Eastman Kodak	185	156	198	144	167	121½	144⅛	†3.50
Electric Auto Lite	47½	30¾	45½	14⅞	21½	13¼	15⅞	† .25
Elec. Power & Light	25⅞	6⅜	26⅝	6⅛	13⅝	6⅛	8	....
Endicott Johnson Corp	69	53½	60	33	40⅜	33	34	3.00
Ex-Cello Corp	23⅝	14¼	27⅝	7	13¾	8	11	† .20
F								
Fairbanks, Morse	71¾	34¾	71⅞	23½	33½	19⅝	24¾	1.00
Firestone Tire & Rubber	¼	24⅞	41⅜	16½	25⅛	16¼	18¼	† .75
First National Stores	8⅝	40	52¼	26½	34⅞	24½	28½	†1.25
Foster Wheeler	45⅜	24⅛	54½	11½	20½	11	14½	....
Freeport Sulphur	35⅝	23½	32¼	18	28	19⅞	26⅛	2.00
G								
General Amer. Transpt	76	42¼	86½	31½	45½	29	35	‡3.50
General Baking	20	10¾	19½	5	9	6½	7¾a	† .10
General Electric	55	34½	64⅞	34	45½	27¼	34⅜	† .30
General Foods	44	33⅜	44¼	28⅛	33⅝	22⅞	26	2.00
General Mills	70½	58	65⅞	48	57¼	50¾	52½	3.00
General Motors	77	53⅞	70½	28⅝	38¼	25½	32⅞	† .25
General Railway Signal	57	32½	65⅛	17	26½	12¾	19¼	† .50
Gen. Realty & Utility	4⅞	2	5¾	1	2	1	1¼	....
General Refractories	71	33¼	70¼	18	28	15⅛	21½	....
Glidden	55¼	39½	51½	19⅛	27¼	13	18½	....
Goodrich Co. (B. F.)	35½	13⅝	50½	12¾	19¼	10	13	....
Goodyear Tire & Rubber	31⅞	21⅝	47⅜	16⅛	24	15⅛	18¾	.25
H								
Hecker Products	21⅜	12⅝	15⅞	5⅝	7⅞	5½	6⅜	.60
Hercules Powder	....	....	64	50	58	42¾	44¾	† .40
Houston Oil	13⅞	6⅜	17⅝	4¾	8⅞	5	6⅝	....
Hudson Bay Mining & Smelting	34⅝	22¾	42	15½	28¾	20⅝	25¼	‡1.75
Hudson Motor Car	22⅝	13½	23¼	4	10	5	7	....
I								
Industrial Rayon	41⅜	25⅝	47½	15	22	14⅜	18¾	....
Inspiration Copper	24¼	6⅛	33⅛	6¼	15⅜	7⅛	10¾	....
Interborough Rapid Tra sit	18⅞	10⅞	13¾	1½	6¾	2⅞	3⅝	....
Inter. Business Machines	194	160	189	127½	154¾	130	142	*6.00
Inter. Harvester	105½	56⅝	120	53½	70	50¼	62¼	2.50
Inter. Nickel	66⅜	43¼	73⅜	37	52¾	36⅞	46⅞	† .50
Inter. Tel. & Tel.	19¼	11⅛	15⅞	4	8½	5½	7⅛	....
J								
Johns-Manville	152	88	155	65½	86	58	67½	....
K								
Kennecott Copper	63⅜	28¼	69⅜	28¼	43¼	26⅞	33¾	† .25
L								
Lambert	26¾	15⅞	24	10⅛	12⅞	8½	11	† .75
Lehman Corp	....	....	43½	22¾	28⅜	19⅜	24	1.00
Libbey-Owens-Ford	80¼	47¼	79	33⅝	42	23¼	28⅛	† .50
Liggett & Myers Tob., B	116½	97¾	114	83½	102½	81½	92¼	*4.00
Loew's, Inc.	67⅛	43	87⅞	43⅝	52⅞	33	40	† .50
Lone Star Cement	61⅞	35½	75¼	31½	39⅜	26	36	3.00
Lorillard	26½	21⅛	28⅝	15⅜	18	13¾	16	1.20
M								
Mack Truck	49¼	27⅜	62¼	17⅜	24¾	16	19	1.00
Macy (R. H.)	65¼	40⅛	58¼	25	32⅜	24⅞	29⅛	2.00
Marshall Field	25⅛	11⅛	30⅞	7¼	9⅞	5½	7⅞	....
Martin (Glenn L.) Co.	....	....	29¼	10	21½	14⅛	18⅝	....
Masonite, Corp	64½	44	74	20	37¼	25	30¾	1.00
Mathieson Alkali	42⅜	27½	41¾	22	27½	19¾	25¼	1.50
McIntyre Porcupine	49⅜	38⅛	42½	30⅛	45⅛	35½	38¾	2.00
McKeesport Tin Plate	....	....	42½	18½	26⅛	14	16	....

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1936 High	1936 Low	1937 High	1937 Low	1938 High	1938 Low	Last Sale 4/13/38	Div'd $ Per Share
M								
McKesson & Robbins	14¾	8⅝	16¼	[illegible]	8¼	5¾	6¾	....
Mesta Machine	65	40⅝	72¼	[illegible]	43½	26¾	33	†2.00
Minn. Honeywell	112	65	120	53	67	46½	62½	3.00
Minn. Moline Power	12⅜	6½	16⅛	4⅜	7¾	4	5¾	....
Monsanto Chemical	103	79	107½	71	91½	68¼	75½	2.00
Mont. Ward & Co.	89	35¾	69	30	37½	25	31½	†1.00
Murray Corp.	22¾	14	20¾	3	7⅝	4	5½	....
N								
Nash Kelvinator	....	....	24⅝	5	12½	6¾	8⅜	† .12½
National Biscuit	38¾	28¾	33⅜	17	20⅝	15½	19¼	† .40
National Cash Register	32⅝	21½	38⅞	13	18¼	12½	15¼	† .50
National Dairy Prod	28¼	21	26⅛	12	15¾	11⅞	13¼	1.20
National Distillers	33⅜	25⅝	35	17	23⅜	17¼	19¾a	2.00
National Lead	36½	26⅜	44	18	29¾	17⅛	20¾	.50
National Power & Light	14⅞	9⅝	14¾	5	8⅜	5	6⅛	.60
National Steel	78	57¼	99¼	55	62¾	44¾	51¾	† .25
N. Y. Air Brake	83	32½	98½	29	39	20	28	† .25
Newport Industries	40	9	41¾	10⅛	19¼	9⅞	13	....
North American	35½	23⅛	34⅞	14⅛	22	13¾	17	† .30
North Amer. Aviation	14¼	6⅝	17⅜	3	10½	5⅞	7⅞	....
O								
Otis Steel	20¾	12½	24⅜	6⅛	12	6⅜	8¾	....
Owens-Ill. Glass	....	....	103¾	51¼	66½	40	48¾	† .25
P								
Pacific Gas & Electric	41	30¾	38	22	28⅛	22¾	25	2.00
Packard Motor Car	13⅜	6⅞	12⅜	4	5½	3¼	4⅛	....
Paramount Pictures	25	7⅛	28¾	8½	12⅞	5¾	7¾	....
Penney (J. C.)	112½	69	103¾	57½	73½	55	62¼	†1.00
Phelps Dodge	56¾	25⅝	59⅞	18½	31⅜	17⅝	22¼	† .10
Phillips Petroleum	52⅜	38⅛	64	30⅛	42½	27¼	33¾	2.00
Procter & Gamble	56	40¼	65½	43¼	50⅝	39½	46¼	2.00
Public Service of N. J.	50½	39	52¾	30⅜	35½	25	29½	2.60
Pullman	69⅞	36⅞	72⅛	25½	36⅞	21¾	28	† .37½
Pure Oil	24⅞	16	24⅜	8¾	13½	8½	10¼	....
R								
Radio Corp. of America	14¼	9¾	12¾	4¾	7¼	4¾	6	....
Radio-Keith-Orpheum	10⅞	5	10⅛	2¼	5⅜	2⅛	2⅞	....
Remington Rand	25	17½	29⅛	8⅛	15⅞	9⅝	12⅜	* .50
Republic Steel	29⅞	16⅞	47¼	12¼	20¾	11½	14⅜	....
Reynolds (R. J.) Tob. Cl. B	60½	50	58	40¼	46½	33¾	39	†1.20
S								
Safeway Stores	49⅝	27	46	18	23⅝	12	14⅛	† .25
Schenley Distillers	55⅞	37¾	51¾	22	27½	16¾	20	† .50
Sears, Roebuck	101½	59⅝	98⅝	49¾	65⅜	47	55¾	3.00
Shattuck (F. G.)	19¾	11⅛	17⅝	6½	9⅛	6¾	7¾	† .10
Shell Union Oil	28¼	14¾	34¾	14⅞	18¼	10	14⅛	....
Socony-Vacuum Corp	17½	12½	23¼	13	16⅜	10¾	13⅝	.50
Sperry Corp	24⅛	15⅞	23¾	10	21⅜	15⅝	18⅞	....
Spiegel, Inc.	....	....	28¾	8⅛	11¾	6¼	7⅜	....
Standard Brands	18⅛	14⅜	16¼	7½	9¼	6⅛	7⅝	† .35
Standard Gas & Electric	9⅞	5⅛	14⅜	2½	5½	2	3⅜	....
Standard Oil of Calif	47⅝	35	50	27⅛	33⅞	25⅛	29¼	*1.00
Standard Oil of Ind	48½	32¾	50	26½	35½	24¾	29¾	1.00
Standard Oil of N. J.	70⅜	51⅛	76	42	54⅛	39¾	47¾	*1.00
Stewart-Warner	24½	16½	21	5½	11⅜	6¼	8⅜	* .50
Stone & Webster	30½	14⅝	33⅝	6½	11¾	5½	7⅞	....
Studebaker	15⅞	9⅛	20	3	7⅛	3½	5	....
Sun Oil	91	70	77½	44½	57⅞	45	47	*1.00
T								
Texas Corp	55¼	28⅞	65⅛	34¾	44⅞	32⅝	38¾	2.00
Texas Gulf Sulphur	44¾	33	44	23¾	34	26	29½	† .50
Texas Pacific Coal & Oil	15¼	7½	16⅝	5⅜	10⅛	7	8⅛	.40
Tide Water Assoc. Oil	21¾	14¾	21⅝	13⅛	15½	10⅛	13⅜	1.00
Timken Detroit Axle	27⅞	12⅛	28⅞	8¾	13⅞	8	10	....
Timken Roller Bearing	74½	56	79	36	48½	31¼	39	† .25
Twentieth Century-Fox	38⅝	22½	40⅞	18½	24	16⅛	20¼	† .50
U								
Underwood-Elliott-Fisher	102⅜	74⅝	100⅛	46¼	59⅝	41	48	†1.00
Union Carbide & Carbon	105¼	71⅝	111	61¼	80	57	67⅛	†1.60
Union Oil of Cal	28½	20¾	28¼	17½	21⅝	17⅛	19½	1.20
United Aircraft	32⅜	20⅝	35⅛	10¾	27⅜	19½	24¼	....
United Carbon	96¾	68	91	36¾	49⅝	39	45	4.00
United Corp	9¼	5⅜	8½	2	3¾	2	2½	....
United Fruit	87	66½	86¾	52	65½	50	59	3.00
United Gas Imp	19½	14⅛	17	9	11⅜	8¾	10	1.00
U. S. Gypsum	125¼	80½	137	53	72	55	67	2.00
U. S. Industrial Alcohol	59	31¼	43⅝	16⅛	23¾	13½	15¾	....
U. S. Pipe & Fdy	63⅞	21½	72¼	24	32	21½	27⅛	2.00
U. S. Rubber	49⅜	16⅜	72⅜	20	35½	21	26⅜	....
U. S. Smelting, Ref. & Mining	103¾	72¼	105	52½	71	44¾	55	†2.00
U. S. Steel	79⅞	46⅜	126½	48½	62⅛	38	45⅞	....
U. S. Steel Pfd	154¾	115½	150	100¼	114½	95	103¼	7.00
Utilities Pw. & Lt., A	7	3⅛	4⅞	¾	1¼	½	¾	....
V								
Vanadium	30⅝	16¼	39⅜	9¼	20⅜	11½	15	....
W								
Walworth Co	12⅜	5½	18¾	3¼	8½	4½	6¾	....
Warner Brothers Pictures	18⅜	9¼	18	4¾	7¾	3¾	5	....
Western Union Tel	96⅛	72½	83½	22⅛	28¼	16½	21⅛	....
Westinghouse Air Brake	50⅞	34¾	57¾	17¾	27½	15¾	23	1.00
Westinghouse Elec. & Mfg.	153½	94½	167⅝	87⅛	109⅞	61¾	76¼	†1.00
Wilson & Co.	11	6⅝	12¼	4⅝	5¾	3	4	....
Woolworth	71	44¾	65⅜	34	43⅞	36	41¾	2.40
Worthington Pump & Mach	36¾	23⅛	47	12	20	11¼	14⅜	....
Y								
Yellow Tr. & Coach	23¼	8¾	37⅜	7½	15⅛	8⅜	12¼	....
Youngstown Sh. & Tube	87¾	41¾	101⅞	34⅛	43¾	24	31⅜	....
Z								
Zenith Radio	42⅜	11⅛	43¾	11⅞	17½	9	11⅝	....

*—Not including extras. ‡—Paid last year. †—Paid this year. a—Ex-dividend.

Answers to Inquiries

(*Continued from page 52*)

This is exemplified by the stableness in earnings over a period of years. Since 1929 earnings have only varied a little from year to year. Therefore, this company should not feel the effects of the general recession currently in progress, as much as other companies who do not enjoy such a stable demand as is characteristic of a well established and popular cigarette manufacturer. A new dividend policy has recently been instigated, which provides for annual payments to be spread over five installments, the final payment for the year being dependent upon the amount of earnings undistributed in the regular four quarterly dividends. This is why the 1937 dividend rate did not total the $3 paid before. Over the longer term, however, we do believe that Reynolds will continue satisfactory payments on the Class "B" and common stocks due to the satisfactory outlook for continued earnings. Therefore, we can see little to be gained by liquidation of your holdings and believe that the shares should be retained on an income basis.

Youngstown Sheet & Tube Co.

Would you briefly outline the outlook in Youngstown Sheet & Tube from here. I am holding stock bought at 70, and if there is a possibility dividends which have been deferred can be quickly restored with an upturn in business, I might want to average down.—L. T., Providence, R. I.

We are inclined to look upon dividend disbursements on the common issue of Youngstown Sheet & Tube Co. as a long range proposition. The company has just secured bank loans totalling $12,500,000, payable in two or three years from March 1, 1938, to liquidate current bank loans, totalling $5,000,000, and to increase working capital and to pay for plant improvements. Therefore, while the dividends on the preferred will probably continue, it may be some time before they are reinstated on the common issue. During the year of 1937 a net income equal to, after annual dividend requirements on the 150,000 shares (par $100) of 5½% preferred stock, to $6.79 a share on the 1,675,008 no par shares of common stock was reported. This compares with earnings of $7.03 on a slightly smaller number of common shares outstanding during 1936. While a downward trend in earnings for the full year 1938 is expected, first quarter profits should closely approximate those of 1937 initial quarter. Bulk of shipments during the first quarter were pipe and tinplate. The company recently considered issuing $30,000,000 worth of debentures to afford further plant expansion but this has been held up and in all probability will be deferred pending improved market conditions. However, close control of operating costs and expenses should allow for continued fair profit margins. Thus, while there is little in the outlook to indicate that 1938 earnings will duplicate those of 1937, the near term outlook appears to have been adequately discounted marketwise and we would favor continued retention of your commitments. Additional purchases for averaging would also be in order.

Bayuk Cigar, Inc.

I have 100 shares of Bayuk Cigar, bought at 10⅛. I understand its sales are continuing at a satisfactory rate, but when depressed conditions are cutting into cigarette sales, I would like to know if Bayuk can hold its position—and participate fully in any market recovery?—T. F., Los Angeles, Calif.

Bayuk Cigar does not depend upon cigarette trade. Its interests lie in the production and sale of low and medium priced cigars in which its cigar under the brand-name of "Phillies" leads the five cent field. It is believed that the company's sales during the current year have been a trifle better than those of the cigar industry as a whole. This, it is expected, will lead to earnings of around 30 cents per share for the initial quarter of the current year, or just about the same as they were in the first three months of 1937. For the entire year of 1937 the company registered $2.17 per share on its common stock, against $2.10 per share during the year of 1936. Demand for cigars, naturally falls off considerably when the income of the individual is curtailed. Nevertheless, earnings should be substantial enough to enable the company to maintain its liberal dividend policy. Only in one year, 1933, did the company fail to pay a dividend. Moreover, during 1938 the company will probably be able to instigate certain measures of economy in production, which should aid in preserving profit margins. Sales volume during the past year rose 2.6% for the entire industry and it is known that Bayuk had a sales increase well over this, percentagewise. On the whole, we believe that Bayuk at current depressed levels affords reasonably dependable income and the shares should eventually enjoy some price recovery.

Ingersoll-Rand Co.

Do you recommend the retention of Ingersoll-Rand common in view of the general decline for heavy industrial equipment? Are further dividends reasonably assured? I hold 150 shares at an average price of 93.—R. E., Albany, N. Y.

The proven earning power of Ingersoll-Rand Co. seems to assure continuation of the liberal dividend policy of the company. During the year ended December 31, 1937, $9.83 per common share was registered, against $6.42 per share in the year of 1936. This is the highest that common share earnings have been since the $10.50 per share registered during the year of 1929. This good earnings record may be attributed to the fact that the company supplies a wide range of industries, thus obtaining diversification, which is not affected to a large extent by a business recession. Naturally, the current downward trend in business has affected the operations of the company somewhat. Nevertheless, it was announced that sales of the company in the three months ended March 31, 1937, were 4% higher than in the last quarter of 1936. This certainly bodes well for 1938 earnings, although higher taxes and operating costs will probably tend to offset the increase registered in operations. The capitalization of the company is very simple, no funded debt being outstanding and only 25,255 shares of 6% cumulative preferred stock preceding the 974,130 shares of common. This enables the common stockholder to participate substantially in dividends. The strong financial position characteristic of the company also enables the liberal disbursements which have been paid over a period of years. Therefore, while we do not believe that 1938

earnings will correspond to those of 1937, the outlook is, nevertheless, satisfactory enough to justify an investment rating to the shares. Under these circumstances we believe that you may well retain your holdings on an income basis and also, for possible appreciation from present depressed levels.

Loew's Inc.

How do you regard Loew's Inc. at current prices? Don't you think present prices more than discount the small decline in earnings? Is it attractive for continued holding?—P. B., Atlanta, Ga.

During the early fall months of 1937 a modest rise in box office prices throughout the movie industry took place. This tended to offset slightly the decline in attendance experienced by companies situated in this industry. For the twelve weeks ended November 25, 1937 (first quarter of the current fiscal year) earnings for Loew's Inc. were $1.70 per common share. This compares with $2.14 per share sustained during the like fiscal quarter of 1936. It is estimated that for its sixteen week period ended about March 12, that earnings will approximate $2.25 a share, against $3.05 per share a year earlier. It is logical to assume, therefore, that 1938 earnings will run below those of 1937 when $8.47 per common share was registered. Lower attendance figures have been caused by continued declines in consumer purchasing power due to the current business recession. Any reversal of this downward trend should, however, immediately have its effect upon the earnings of Loew's. While it is sensible to expect that 1938 earnings will decline, there is no need to be disturbed about the yield afforded by the company. In our opinion, the company will continue to maintain its liberal dividend policy, although probably not to the extent which was paid out last year. The record of Loew's in comparison to its competitors stacks up favorably. Thus, in our opinion, the constructive factors tend to overbalance the detrimental ones and Loew's shares, at present depressed levels, make for attractive investment, both on a price appreciation basis and for potential yield. We favor retention of your holdings for the longer term.

NEW YORK CURB EXCHANGE

ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1938 Price Range High	Low	Recent Price
Alum. Co. of Amer	90	58	73
Amer. Cyanamid B. (.60)	26⅝	15½	17
Amer. Gas & Elec. (1.40)	28	19⅛	23½
Amer. Lt. & Tr. (1.20)	14⅜	10	11¾
Amer. Superpower	1⅛	½	¾
Assoc. Gas & Elec. "A"	1⅜	⅝	⅞
Ark. Nat. Gas "A"	4⅞	2¼	3⅛
Carrier Corp	32	17⅝	22
Cities Service	2	1	1¼
Cities Service Pfd	40¼	21½	31
Colum. Oil & Gas	4⅝	2⅜	3⅛
Consol. Copper (†12½)	6⅜	3½	5
Consol. Gas Balt. (3.60)	70	55	60
Creole Petroleum (*.50)	27½	17½	21⅜
Eagle Picher Lead (†.10)	13¼	7	9¾
Elec. Bond & Share	10⅛	4½	6¼
Elec. Bond & Share Pfd. (6)	58	42	48
Ford Mot. of Can. "A" (1)	18⅞	14⅝	16⅞
Glen Alden Coal (†.12½)	6⅝	4¾	5
Gulf Oil of Pa. (†.25)	42⅞	33	35½
Hecla Mining (†.10)	10¾	6¼	7⅞
Humble Oil (†.37½)	70	56	66
Imperial Oil (*.50)	19	15¾	16½
Iron Fireman (1.20)	15⅞	11⅝	13¾
Jones & Laughlin	43½	21	29
Lake Shore Mines (4)	58½	45½	50
Lockhead Air	10½	5⅝	8
Molybdenum	6⅛	3½	4⅝
National Belles Hess	1	⅝	13/16
New Jersey Zinc (†.50)	72½	45½	52½
Newmont Mining (†.50)	72	42	53
Niagara Hudson Power	8½	5⅛	6⅝
Niles-Bement-Pond (†.50)	38½	24¼	31
Pan-Amer. Airways (†.25)	19⅝	12½	14¾
Pantepec Oil	7⅜	4⅛	5½
Pennroad Corp. (‡.25)	2¾	1⅝	1¾
Pepperel Mfg	77	54¾	57¾
Pitts. Pl. Glass (†.25)	90	55	71
St. Regis Paper	4⅛	2⅛	2¾
Sherwin-Williams (4)	90	66	84
South Penn Oil (*1.50)	39	28¾	35
Technicolor	21¼	14¼	17¾
United Gas Corp	5¼	2¾	3⅜
United Lt. & Pw. "A"	3⅜	1½	2¼
United Lt. & Pwr. Cv. Pfd	26⅝	13½	18½
Wright Hargreaves (*.40)	8⅜	6⅜	7⅜

† Paid this year.

* Not including extras.

‡ Paid last year.

Interlake Iron Corp.

I hold 100 shares of Interlake Iron purchased at 9. I realize it moves with the steel industry. However, marked recovery in the latter seems rather remote now. I would appreciate your views and counsel on this. —E. S., Detroit, Mich.

Earnings of Interlake Iron Corp. during 1937 were the highest that they have been in the company's history. Net income of $2,402,563 or $1.20 per capital share was recorded. This compares with a net profit of 29 cents a share for the year 1936. While the company will naturally feel the depression currently prevalent in the steel industry, we believe that over the longer term, the shares should prove profitable to the investor who is willing to exercise patience. The company is the country's largest merchant pig-iron producer and derives its revenues mostly from the sale of pig-iron and coke. The iron manufactured by the company is taken directly by foundries which serve such lines as automobile, agricultural equipment, railroad equipment and building supplies trades. Therefore, the curtailment in production in the automotive industry, the decline in activity in the building industry and the falling off in demand by the railroad equipment makers are adverse factors. The seasonal demand by the agricultural equipment manufacturers, however, should enable the company to register operations in the black, at least for the initial quarter of 1938. Wide fluctuations in sales are experienced by Interlake due to the company's dependence on capital goods demand and for this reason near term prospects are somewhat doubtful. During 1937, the company paid 65 cents a share in dividends or the first that has been paid on the capital stock since the 15 cents paid in 1931. In our estimation, the present low price of Interlake shares fully discount the adverse factors prevalent in the situation. Where the stockholder realizes that the possibilities prevalent in Interlake are of definite long range calibre, therefore, we can counsel retention of holdings.

B. F. Goodrich Co.

Rubber stocks enabled me to take good profits in 1936 and again last year, so I purchased some B. F. Goodrich near the top. What do you think of my possibilities? Would you continue to hold?—G. J. L., Buffalo, N. Y.

Net sales of B. F. Goodrich Co.

amounted to $149,971,715 for the year ended December 31, 1937. This compared with net sales of $141,-097,136 during 1936. Even in the face of this substantial rise in net sales, however, net income of the company declined drastically. For the year ended December 31, 1937, a net loss of $878,580 or $2.25 per common share was registered, as compared with earnings of $4.04 per common share a year earlier. This sharp decline in earnings may be attributed to the fact that the company had to make an inventory write-down of approximately $5,-500,000. We believe, however, that this will not be repeated during 1938 even though some scale-down from normal earnings will probably take place. Naturally, decreased demand during the current half year will tend to restrict profits. On the other hand, full year profits should benefit from lack of necessity to write-down inventory losses. Any betterment in the automotive industry should certainly enable the company to resume the progress in respect to earnings which was cut short by the substantial deficit incurred last year. Mechanical rubber goods trade has been gaining in importance over a period of years. The company has made excellent progress, moreover, in developing new products and improving the quality of old ones, and from a competitive standpoint its position is regarded as strong. While the shares are admittedly speculative, the strong financial condition revealed in the last balance sheet, coupled with the fact that the company has proven its ability to earn money under normal conditions, suggests the advisability of continued retention of these shares at present depressed levels.

Curtiss-Wright Widens Profit Margin

(Continued from page 33)

to capacity and orders indicate that current sales will be two to three times larger this year than in 1937.

Some years ago, Curtiss-Wright also operated a chain of airports located in various sections of the country and in connection with these operated various aviation services such as flight training, etc. These activities, however, contributed nothing to profits, and losses were substantial. During the past two years, however, considerable progress has been made in liquidating these unprofitable properties and economies made in the operations of remaining ones together with leasing arrangements have enabled them to at least make operating expenses. The company has, however, stated its intention of continuing with the liquidation of airports as fast as conditions will permit.

In considering the position of the aviation industry, and more specifically that of Curtiss-Wright at this time, it is, of course, pertinent that orders are large and promise to continue so, air travel is showing a steady increase and aircraft forces have become the keystone of armament programs throughout the world. Fundamentally, however, it is important to record that the industry in the United States has attained a measure of maturity which has mitigated many of the unsound implications and financial risks which were clearly present ten years ago—even five years ago. Corporate leadership has definitely emerged and is founded both on successful manufacturing technique and increasing financial security. It is true, of course, that the industry is heavily dependent upon Government orders. Yet these orders serve a dual purpose. They provide an industry with vital business, while enabling it to acquire the necessary resources and experience which must inevitably aid the commercial development of aviation through increased safety, comfort and speed. Costs will be lowered and the potential scope greatly widened. In short the investor is probably justified in regarding the aviation industry with an increasing confidence.

However, when the investor approaches the problem of selecting the most promising company in the aviation industry, the choice cannot be an obvious one. Although leadership in the industry has narrowed down to ten companies or less but as yet no potential General Motors or U. S. Steel has emerged. The race is still free for all. When the race is ultimately decided, it seems certain, other things being equal, that the winner will be determined in the drafting rooms. The successful development of new designs in aircraft, aircraft motors and other vital equipment will mean all the difference between substantial and continuing profits and marginal and sporadic earnings.

Curtiss-Wright may or may not be that company but if it isn't it will not be because the company has

OVER - THE - COUNTER

ACTIVE ISSUES

Quotations as of Recent Date

	Bid	Asked
American Hardware (1.00)	20½	21¾
Columbia Baking (.25)	3½	5½
Crowell Publishing Co. (3)	26¼	28¼
Dictaphone Co. (.25)	29½	33½
Draper Co. (†3.50)	47	50
Garlock Packing (1.00)	32	34
Mercke & Co.	20	22
National Casket (†1.50)	40	44
Norwich Pharmacal (2)	33½	36
Ohio Leather (†.25)	9	11
Scovil Mfg. (†.50)	21½	22¾
Singer Mfg. Co. (*6.00)	222	228
Trico Products (2.50)	30	32
Wilcox & Gibbs (.50)	8½	11½
PUBLIC UTILITIES		
Alabama Power Pfd. (7)	54½	55¾
Carolina Power & Light Pfd. (7)	70	72½
Central Maine Power Pfd. (6)	60	62½
Dallas Power & Light 7% Pfd	114	116
Jersey Central Pwr. & Lt. 7% Pfd	68	70
Kansas Gas & Electric 7% Pfd	107	109
Kings Co. Ltg. 7% Pfd	29½	32½

PUBLIC UTILITIES—(Continued)	Bid	Asked
Long Island Ltg. Pfd. "A" (3.50)	31	32¾
Nebraska Power 7% Pfd	102½	105
New Orleans Public Serv. Pfd	58¾	60⅜
Nor. States Pwr. Pfd. (7)	63	65¼
Pacific Power & Light Pfd. (7)	46¼	49¾
Tennessee Elec. Power 6% Pfd	42½	44½
Tennessee Elec. Power 7% Pfd	48¼	50¼
Texas Power & Light Pfd. (7)	96	98
Utica Gas & Elec. Pfd. (7)	62	65
TELEPHONE & TELEGRAPH		
American Dist. Tel., N. J. (5)	80	84
Emp. & Bay State (4)	50	58
Inter Ocean (5)	....	72
* Mountain States Tel. & Tel. (7.00)	107	....
N. Y. Mutual (1.50)	17	19
Peninsular Telephone (1.60)	21	24
Peninsular Telephone Pfd. "A" (7)	107	111
Southern New England Tel. (8)	128½	131

† Paid this year to date.
* Does not include extras.

Forthcoming Dividend Meetings

Company	Time	Date
Acme Steel*	10:00	May 5
Addressograph-Multigraph*	11:00	May 4
Allegheny Steel Pfd	10:00	April 26
Allied Chemical & Dye*	10:30	April 26
Allied Stores 5% Pfd.*	——	April 26
Alpha Portland Cement*	11:00	April 26
American Metals Com. & Pfd.	——	April 28
American Steel Foundries	11:00	May 5
American Tobacco Com. & B	4:15	April 27
Archer-Daniels-Midland*	2:00	April 28
Armstrong Cork*	9:00	April 27
Atlas Powder	3:00	May 4
Bethlehem Steel Pfds	3:00	April 28
Borden	4:00	April 26
Bristol-Myers*	10:00	May 4
Brown Shoe	10:00	May 3
Butler Bros. Com. & Pfd.*	——	May 3
Chile Copper	——	April 28
Coca Cola Com. & Class A	——	May 2
Colgate-Palmolive-Peet Pfd.*	——	April 27
Collins & Aikman Com. & Pfd	2:30	May 2
Diamond Match Com. & Pfd	11:00	April 28
Fairbanks, Morse & Co. Com. & Pfd.	——	April 27
Firestone Tire & Rubber Pfd.*	——	April 29
Freeport Sulphur	3:30	April 28
General Motors Com. & Pfd	4:00	May 2
Goodyear Tire & Rubber Com. & Pfd.*	——	May 2
Hazel Atlas Glass*	2:00	April 29
Hiram Walker-Gooderham & Worts Com. & Pfd.*	——	May 5
Ingersoll-Rand	11:00	April 27
Inland Steel	2:00	April 26
International Nickel	2:30	May 2
Jones & Laughlin Steel Pfd	3:00	April 26
Kresge (S. S.) Co.*	9:00	May 4
Life Savers*	——	April 25
Manhattan Shirt	10:00	April 25
Norfolk & Western	11:40	April 26
Phelps-Dodge*	12:00	May 4
Sears, Roebuck & Co.*	——	April 25
Sherwin-Williams Com. & Pfd.*	10:30	April 27
Standard Oil of New Jersey*	11:00	May 2
Sterling Products*	10:00	April 28
Tide Water Associated Oil*	——	April 26
Timken Roller Bearing	1:00	May 3
Union Tank Car	——	May 3
United Drug*	——	May 4
United Engineering & Foundry Com. & Pfd	11:00	April 26
United Gas Improvement Com. & Pfd	3:15	April 26
United States Steel Pfd	3:00	April 26
Vick Chemical*	——	May 3
Wesson Oil & Snowdrift Pfd	2:00	April 26
Westinghouse Electric & Mfg. Com. & Pfd.*	11:00	April 27
Westvaco Chlorine	4:45	April 27

All meetings on common stock unless otherwise noted.

*** Approximate date.**

been lacking in technical ability. Its technical record in the design and development of aircraft motors, particularly, speaks for itself. Equally convincing are the company's prospects for the current year, regardless of what the longer term future may bring.

On March 4, last, Curtiss-Wright reported unfilled orders on its books of about $29,500,000, a figure nearly $12,000,000 greater than unfilled orders on March 12, 1937, and $5,400,000 greater than total sales for all of 1937. As a result first quarter operations were probably at capacity levels in all major divisions. Deliveries were substantially ahead of those a year ago and with the advantage of somewhat lower raw material costs and enlarged plant capacity completed last year, earnings for the first three months may be double those for the same period of 1937.

Last year was the most successful in the company's history. Net profit of $1,983,608 (after about $161,000 in excess and undistributed profits taxes) was practically 100% ahead of 1936. Net in the latter year totaled $1,017,657.

Capitalization consists of 1,158,454 shares of class A stock and 7,429,006 shares of common stock. The company has no funded debt. The class A shares are entitled to non-cumulative dividends at the maximum rate of $2 annually; are redeemable at $40; and convertible into the common stock, share for share. In 1936 and 1937 dividends on the A stock were 50 cents a share.

Earnings last year, as applied to the A stock, were equal to $1.71 a share, comparing with 88 cents a share earned on the A stock in 1936. With deliveries thus far this year running greatly ahead of last year, it would not be surprising if per-share results in the first quarter were at least 100 per cent larger than a year ago. On this basis, the A shares would earn the equivalent of around 45 cents each, against 23 cents in the opening three months of 1937.

The company may well have elected to pay a larger dividend on the A shares last year, in view of the marked gain in earnings. The management, however, preferred to devote earnings to needed expenditures on plant expansion and bolstering working capital. Finances were further strengthened by the sale of the company's North Beach airport to the City of New York for $1,300,000. Net working capital at the beginning of this year was in excess of $9,000,000. Of current assets, some $4,000,000 was in cash, nearly equal to current liabilities of $4,744,665. Inventories were up about $3,000,000, an increase, however, more than warranted by the sizable gain in the volume of business on hand.

With scant likelihood that the volume of business this year will decline appreciably below the 1937 level, the company is virtually assured of sustained operations at capacity levels. On this basis one might hazard the guess that the A shares may earn in excess of $3 a share.

Prevailing quotations for the class A shares around 16-17, compare with the high last year of 23¾ and the current high of 18⅜. The low this year was 12⅝. Judged by any reasonable standard, the shares appear conservatively appraised and in a more favorable economic setting generally, it is certain that they would be selling substantially higher. With the assurance, however, that the company's prospects are appreciably better than average, the risks of acquiring the shares either for short term or longer pull participation in the aviation industry appear quite moderate.

Interpreting Market Averages for Future Trend

(Continued from page 27)

afford a clue to the next important move. To illustrate the principles involved we have prepared the accompanying graph comparing The Magazine of Wall Street's weekly Index with the daily index of Dow-Jones, plotting only the weekly high, low and close of the latter.

Upon inspection of the small inset for 1929, one is struck by the peculiarity that the sharp Dow-Jones advance between mid-July and early September was not duplicated by our own Index. Obviously the great body of stocks covered by the M. W.S. Index was being liquidated under cover of strength in a small group of 36 high grade issues included in the Dow-Jones industrial averages. It is a fairly safe generalization, in fact, to assert that high grade common stocks are the last to start down, whereas lower grade issues (particularly the low priced stocks) are among the first to display reactionary tendencies. For these reasons the comparative behavior of these two indexes pointed strongly to the decline that was soon to set in.

A similar conclusion was sug-

gested by failure of the M.W.S. Index to join the Dow-Jones advance during March and April, 1936; and again last year by failure of our own Index to double-top in August (equal the January top) along with Dow-Jones. Similar comparisons during the first two months of 1935 foreshadowed what turned out to be only a minor market reaction. This year's sharp dip was suggested by the feeble rally in M.W.S. toward the end of February in comparison with the strong double top made by Dow-Jones. On the other hand, by way of reminder that no forecasting rule is fool proof, it should be noted that the two indexes did not predict the market reaction of mid-1934.

Signs of an approaching upturn are just the opposite. A nearby market upturn, however brief, or at least a period of stability, is indicated when M.W.S. is conspicuously weaker than Dow-Jones on a double bottom. Examples of this appear on the accompanying graph toward the end of May, 1929; the end of December, 1929; early April, 1933; October, 1933; end of July, 1934; March, 1935; early June, 1936; end of June, 1937; and early January, 1938. The reason for this is that, though all stocks usually rebound from the first bottom with nearly equal vigor, low-grade issues are almost invariably much weaker than high grade (the so-called "quality" stocks of which Dow-Jones is almost wholly composed) when it comes to making the secondary bottom. The one exception needed to "prove the rule" occurred in July, 1932.

To sum up: it appears that *a down-move is forecasted when, at a double top, the M.W.S. Index is weaker than the Dow-Jones; and that an upturn is forecast when, at a double bottom, the M.W.S. Index is weaker than the Dow-Jones.*

Occasionally an advance or decline may take place without advance warning from these signals; but it is worth noting that, during 1929 and from the end of 1931 to date, these signals, when they did appear, were never wrong.

Hollywood Watches the Dollars

(Continued from page 21)

somewhere. And shortly the report is that a few dozen "producers" will be absent when the salary checks are being distributed.

Frankly, production costs have been mounting and no one knew just how they should be checked. At first the idea seemed to be that profits could be insured by raising the film rentals to the theatres, but the outcry arising—due to the—er—recession in theatre patronage, rather blighted that thought, so the attack began where it is now going on, viz.: at the studios.

Now and again when the brilliant sunshine of prosperity gets clouded up a little in the treasuries of the picture companies, there is to be detected by modern Balshazzars a dim writing which hints at a possibility of something happening to the picture business similar to what happened to the gasoline business: a sort of gallonage impost, but beyond a faint prophetic shudder, this is not believed quite within reason. It all depends, of course, on the straits to which the tax gatherers may be driven.

Some problems which will not yield to economy or administration methods are devilling the studios. There is a dearth of personages whose names on a marquee may be counted on to draw patrons into the theatre and there is always a lack of story material and those who can turn out a workable script. This is nothing new, however, but it is definitely a serious production problem.

In the heyday of the theatre perhaps not a dozen top-notch stars existed. At the height of its prosperity the book publishing business never turned out fifty "best-sellers" in a year. Yet the motion picture production business demands—even if it doesn't get—several hundred masterpieces, each with great stars to attract patronage, and that is where the cinema shoe pinches.

Part of the trouble is double-billing; part is failure to exhibit a picture to its full value, part is the sad fact that in no single recent year have half a dozen star potentialities appeared on the movie horizon. And added to all the above is the

DIVIDENDS RECENTLY DECLARED

Corporation	Rate	Period	Stock of Record	Payable
Abraham & Straus	0.37½	—	4/15	4/25
Amerada	2.00	Q	4/15	4/30
American Home Products	2.40	Q	4/14	5/2
Archer-Daniels-Midland Pfd	7.00	Q	4/20	5/2
Bon Ami A	1.00	—	4/15	4/30
Bon Ami B	0.62½	—	4/15	4/30
Cerro de Pasco	1.00	—	4/18	5/2
Cluett, Peabody	0.15	—	4/21	5/2
Consolidated Oil	0.80	Q	4/15	5/14
Eureka Pipe Line	1.00	—	4/15	5/2
Federated Dept. Stores	0.25	—	4/20	4/30
Federated Dept. Stores Pfd	4.25	Q	4/20	4/30
General Mills	3.00	Q	4/11	5/2
Hartford Electric Light	0.68¾	—	4/14	5/2
Horn & Hardart	1.20	Q	4/12	5/2
Kress (S. H.)	1.60	Q	4/11	5/2
Lehigh Portland Cement	0.25	—	4/14	5/2
Melville Shoe	0.87½	—	4/15	5/2
Melville Shoe 6% Pfd	0.30	Q	4/15	5/2
National Distillers Products	2.00	Q	4/15	5/2
Outlet Co	3.00	Q	4/21	5/2
Pacific American Fisheries	0.15	—	4/15	4/30
Pan American Airways	0.25	—	4/20	5/2
Reading Co	2.00	Q	4/14	5/12
Sharp & Dohme Pfd	3.50	Q	4/15	5/2
Southern California Edison	1.50	Q	4/20	5/15
Telautograph	0.60	Q	4/15	5/2
Walgreen Co	0.25	—	4/15	5/2
Westvaco Chlorine 5% Conv. Pfd	1.50	Q	4/11	5/2
Wilson & Co. $6 Pfd	0.75	—	4/15	5/2
Wrigley (Wm.) Jr.	3.00	M	4/20	5/2

Q—Quarterly.
M—Monthly.
All designations are common stocks unless otherwise noted.

jittery condition of the foreign market, a year or so ago estimated at 40% of the total picture intake, and which begins to show definite signs of shrinkage.

But, like England in her national distresses, the picture business somehow manages to muddle through its crises and for a long time to come the better picture stocks may be depended on to function in the guise of a comfortable back-log. There's nothing alarming in the outlook, and a good deal that is encouraging.

The Investment Clinic

(*Continued from page* 31)

in interest rates. These issues are also worthless as protection against the possibility of inflation. Nevertheless, some of them would fit well into portfolios which are interested primarily in size and safety of yield. There is General Motors $5 preferred, selling at 112 and callable at 120. Earnings on this stock were equal to $107.01 per share in 1937. Corn Products Refining preferred is non-callable and has four votes per share. Earnings last year amounted to $32.96 per share. Although the price of 162 seems high, the yield with a $7 dividend is close to 4½%. International Harvester's preferred stock has the same voting privileges and is also non-callable. If bought around 140, this $7 issue yields 5%. The last fiscal year produced $39.78 per share income for the preferred stock. None of these companies have any funded debt and the security behind the issues mentioned is excellent.

Then in some cases it is possible to find a reasonably generous and safe yield with an added inducement in the way of capital appreciation. Atlantic Refining 4% preferred, selling near par and convertible into common stock at $40 per share during this year and next, is backed by $67.13 of earnings per share during 1937. The value of the conversion privilege is limited by the call price of 105, but a modest amount of profit would follow any betterment in the business outlook. The Tide Water Associated Oil Co. has a $4.50 preferred issue, convertible into common stock at varying ratios. Until July, 1939, each share of preferred may be exchanged for 3 7/11 shares of common. A bond issue of about $40 millions is outstanding, but earnings on the preferred last year were $31.60 per share. Selling at 79 and callable at 107, this stock has much to recommend it.

Other interesting preferred stocks of more or less speculative caliber include:

Twentieth Century - Fox Film $1.50 preferred, selling at 26, convertible into common at the rate of one and one-quarter shares for each share of preferred.

Westvaco Chlorine $1.50 preferred, selling at 20, each share convertible into 1 1/10 shares of common.

Radio Corp. $3.50 preferred, selling at 40, each share convertible into five shares of common.

Glidden Co. 4½% preferred ($50 par), selling at 39, each share convertible into 9/10 of a share of common.

Pure Oil $6 preferred, selling close to 80, with earnings of $15.82 last year.

Holland Furnace $5 preferred, selling at par, convertible into two shares of common. Earnings last year were equal to $72.87 per share of preferred, which is callable at 105.

Why Machine Tool Makers Are Active

(*Continued from page* 29)

is obsolete when compared on a basis of efficiency with the equipment that the machinery manufacturers are now able to design. Finally, it may be noted that in recent years—mainly as a result of governmental policies—hourly wage rates in manufacturing industries have been raised and hours of work reduced more rapidly than in any previous period. The resultant maladjustments in operating costs have put industry under more insistent pressure than ever before to whittle down unit costs by increased efficiency via the route of improved mechanization. There can be scant doubt that there is a sub-surface basis for an unprecedented expansion of activity in machinery and machine tools. This latent demand, however, will not be released in full force until we get a confidence-inspired, privately-financed capital goods recovery—the key to which recovery is now held by our politicos at Washington.

Meanwhile all stocks of companies in this field have been drastically deflated. The best may probably be considered very reasonably priced in relation to longer term prospects, but this will not necessarily prevent them from going still lower in the event of further weakness in the general market. Therefore, unless one is willing to risk further possible reaction, timing of any purchases should be made in accordance with the market outlook as always analyzed in the forepart of this publication.

Two Sulphur Companies Compared

(*Continued from page* 51)

intention to press for a reduction in the tax rate to a level comparable with the Texas rate at the next meeting of the legislature. This would be an appreciable help to Freeport's profit margin.

Since they are classed as commodity producers, both Freeport and Texas Gulf have attracted attention at times in the past for their value as inflation hedges. Between the two, the choice for this purpose would certainly be Texas Gulf, with its large owned reserves, but it would be possible to find much more attractive hedges among the producers of other commodities than sulphur. Costs, particularly those for fuel, would rise very rapidly in a period of inflation, so that aside from the admittedly large profits to be garnered on the sulphur above ground, inflation could be expected to add to the value of reserves more than to actual operating income. This estimate supposes, of course, that the price of sulphur would advance no more rapidly than other prices.

On the other hand, a period of constantly rising wages would find the sulphur producers in relatively good position. The nature of the processes by which sulphur is brought to the ground, stored and handled requires large and expensive plants and equipment, but the amount of manpower involved is comparatively small. Having made

the necessary capital investment, the companies have little to fear from an extension of the trend toward higher labor costs.

The investor who is shopping for income may very possibly prefer Freeport with its 7.7% yield to Texas Gulf with its 6% yield on the basis of regular payments. It is also likely that those interested in near-term market action will be more attracted by the smaller company. It should be realized, though, that Texas Gulf is a very strong property, that earnings are stated conservatively, and that its operating record is excellent. There is little to be gained from studying the action of these two stocks for many years back, since changes in both companies have been extensive. Freeport has an apparent edge on current earnings, while both companies are equipped to withstand whatever blows this slump may have in store for them.

When the turn in general business comes, sulphur will certainly participate. Such yields as are now available on the two sulphur stocks will then appear strikingly attractive. Meanwhile, however, owners must be prepared if necessary to pass through a more or less protracted period of disheartening news.

Railroad Fate Is Up to Congress

(*Continued from page 19*)

crisis can be solved without loss to the Government, without loss to rail labor, without loss to rail bondholders and without loss to even rail stockholders. The only thing missing is a formula showing how this Utopian hope can be realized.

Of course, the rail unions—and, indeed, the chief of the American Federation of Labor — have advanced a pat solution. They say that if the railroads cannot afford to pay record high wages out of a depression volume of revenues, the only alternative is Government ownership and operation of the carriers. In plain language this means that they will demand that the depressed taxpayers subsidize their boom-time wage level. What the taxpayers will have to say about this, and how vigorously they will say it, remains to be seen.

Mr. Roosevelt is opposed to Government ownership, as well he might be. The property investment in the railroads is around $25,000,000,000. The market value of outstanding rail bonds is now around $6,000,000,000. Even should these properties be taken over at only 25 cents on the dollar of actual investment—which would be virtually a legalized steal—the Government bonds issued in payment would represent—under existing fiscal realities—a frightening increase in the Federal debt. The President is apparently a bit touchy about this matter of the Federal debt. He has already virtually doubled it—and present spending plans are such as to make certain that before long it will cross the $40,000,000,000 level.

Railroad officials do not expect any important rail legislation at this session of Congress. Neither do they expect more than seasonal improvement in traffic over the near future. Where some of them—who are managing roads in a weak or borderline financial position—expect to get the money to meet bond interest nobody knows.

Improving Your Security Position

(*Continued from page 40*)

annual basis and the next dividend is not due to be declared until some time in June.

Union Bag & Paper Corp.

The results of an extensive expansion program, which played such an important role in Union Bag's excellent 1937 showing, promise to render timely aid in sustaining current results against the slump in business generally. Recent reports indicate that the company, in the first quarter of this year, may show earnings larger than in the corresponding period of 1937. Largely responsible for the favorable current showing, is the fact that the company is no longer dependent upon outside sources for the paper and pulp which it uses.

Last November the company

BANK, INSURANCE AND INVESTMENT TRUST STOCKS

ACTIVE ISSUES

Quotations as of Recent Date

BANK & TRUST COMPANIES	Bid	Asked
Bankers (2)	44½	46½
Bank of Manhattan (1.50)	20¾	22¼
Bank of N. Y. & Trust (14)	340	349
Brooklyn Trust (4)	74	79
Central Hanover (4)	86½	89½
Chase (1.40)	29½	31½
Chemical (1.80)	41½	43½
Commercial National (8)	135	141
First National (100)	1575	1610
Guaranty (12)	219	224
Irving Trust (.60)	11	12
Manufacturers (2)	34	36
National City (1)	24½	26
New York (5)	82½	85½
United States Trust (†70)	1485	1535
INSURANCE COMPANIES		
Aetna Cas. & Sur. (†1.75)	79½	83½
Aetna (1.60)	40½	42½
Aetna Life (†.50)	23	24½
Am. Surety (2.50)	36¾	38¾
Boston (†21)	520	530
Fireman's Newark (.30)	7¼	8½
Glens Falls (1.60)	35	37
Great American Ins. (†1.20)	21	22½
Hanover F. (1.60)	27½	29

INSURANCE COMPANIES—(Continued)	Bid	Asked
Hartford Fire (2)	62¾	64¾
Home (†1.60)	24	25½
Ins. Co. of North America (†2.50)	52	54¼
National Fire (2)	50	52
Phoenix (†2.50)	67½	69½
St. Paul F. & M. (†7.50)	172	181
Sun Life Can (15)	400	450
Travelers (16)	379	389
United States Fire (†2)	44	46
Westchester F. (†1.60)	26¼	27¾
INVESTMENT TRUST SHARES		
Amerex Corp	17¾	19¼
Brit. Type Investors	.28	.43
Bullock Fund	11⅝	12⅜
Corporate Trust—AA	2.27	.....
Fidelity Fund	16.74	18.03
Incorporated Investors	15.46	16.52
Maryland Fund	4.93	5.46
Mass. Invest. Trust	17.90	18.99
Nation-wide Securities	2.57	2.57
No. Amer. Trust Shares 1958	2	....
Quarterly Income Shares	9.13	10
Spencer Trask Fund	13.21	13.91
Uselps Voting Shares	.74	.82

† Includes extras.

completed the third unit of its mill in Savannah, which manufactures kraft pulp. As a result, the production of kraft board and paper is now in excess of its immediate needs, and production costs are considerably less than the prevailing price $47.50 a ton for kraft pulp. The current showing has also been aided by sales volume which has held close to the level of the closing months of 1937.

Union Bag & Paper Corporation is credited with producing about 20 per cent of the total domestic paper-bag requirements. Other products include kraft paper and wrapping paper. Giving effect to the 4-for-1 stock splitup last September, the outstanding capitalization is now represented by 1,045,735 shares of capital stock. The company has no funded debt or preferred stock, but at the close of 1937, bank loans and equipment notes aggregated $6,500,000. The management's intention was to refund the latter obligations through the sale of $7,000,000 of debentures, but these plans have been deferred awaiting more stable market conditions. Net sales last year increased nearly $4,000,000 to $15,690,960 and net profit after depreciation, interest and federal taxes, including $50,000 surtax on undistributed profits, totaled $1,384,595, an increase of practically $1,000,000 over 1936. Net applicable to the stock was equal to $1.32 a share, as compared with 37 cents a share earned on the same number of shares in 1936. Recently quoted around 9, there are very few other issues in the same price class which possess as favorable an industrial background, and, the shares of Union Bag & Paper may be credited with distinct speculative merit.

Farm Prospects Favor Harvester

(*Continued from page 25*)

bought today for about half the $120 a share at which it sold last year, has discounted all the damage that an 8 per cent decline in farm income could bring about. It is possible, of course, that the stock is discounting a further decline in farm income extending beyond the middle of the present year. But if it is, those who are selling at today's prices are going out of their way to borrow trouble, for there is just as much chance that the farmer's capacity to buy will improve as a result of this year's harvests as there is that it will decline.

What's Ahead for the Market?

(*Continued from page 9*)

are such stocks as Allis-Chalmers, United Aircraft, Sperry, Boeing, Consolidated Aircraft, Amerada Oil, American Can, Beech Nut Packing, Climax Molybdenum, Coca-Cola, Corn Products, Douglas Aircraft, Dow Chemical, Philip Morris, United States Gypsum, Woolworth, Wrigley, Glenn L. Martin, United States Rubber, Freeport Sulphur and Holland Furnace. Undoubtedly many of these issues are cheap in terms of both 1938 earnings and longer range earnings potentialities. Others afford attractive and secure income. Even should they remain above former lows, however, it is the conservative thing to allow for the probability that a general market decline would sympathetically pull them down—as was the case in the February-March reaction. Moreover, the time will come when many other stocks—including some offering greater promise of longer term appreciation than various of the issues in the above list—can be prudently bought. At that time purchasing power now conserved will come in handy—and it probably will not be long.

A Comparison of Corporate Strength

(*Continued from page 33*)

Materials and supplies, which would correspond to inventories in an industrial organization, are now considerably smaller. Gross revenues of the four companies studied showed a drop of $50 millions, while earnings fell $95 millions.

The comparison of earnings for the twenty-eight companies emphasizes the achievements of Chrysler, Union Carbide, Montgomery Ward, International Nickel, Texas Corp., U. S. Rubber, and the other two merchandising organizations. Of those which report sales, only U. S. Rubber showed an increase in profits on a smaller volume than in 1929. Almost without exception, the balance gives evidence of the higher costs and slimmer profit margins which are making necessary a heavier turnover to duplicate past earnings.

Working capital is nominally below that of 1929, but the basis on which current assets are carried, particularly inventories and securities, is far more conservative. The retirement of debt and the improvements in plant and methods which have gone on since 1929 would make up the difference in working capital many times over. As far as ability to "take it" goes, the leading companies are in a greatly improved position.

Happening in Washington

(*Continued from page 11*)

Uniform truck rates is objective of I C C which has started probe of motor carrier rates and practices in central states as sequel to its recent order that the Middle Atlantic truckers abide by published conference tariffs.

Walsh-Healey act administration is quietly being extended by the Labor Department beyond "sweated" industries in attempt to fix minimum wages for many industries with fairly respectable average wages even though selling very little to government. But industry participation in the process is being widened somewhat.

Patent licensing bill believed to be trial balloon for Justice Dept. idea of hitting monopolies by forcing patentees to make inventions available to competitors. But hearings brought scores of small inventors and manufacturers to protest that bill would give them inadequate opportunity to develop their inventions and would permit big concerns to exploit them, and no such legislation is apt to get far.

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